

ECONOMICS OF AGING:
TOWARD A FULL SHARE IN ABUNDANCE

A REPORT

BY THE

SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE

TOGETHER WITH

MINORITY AND SUPPLEMENTAL VIEWS



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- Part 2. Consumer Aspects, Ann Arbor, Mich., June 8, 1969
- Part 3. Health Aspects, Washington, D.C., July 17-18, 1969
- Part 4. Homeownership Aspects, Washington, D.C., July 31-Aug. 1, 1969
- Part 5. Central Suburban Area, Paramus, N.J., July 14, 1969
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- Part 9. Employment Aspects, Washington, D.C., December 18-19, 1969
- Part 10A. Pension Aspects, Washington, D.C., February 17, 1970
- Part 10B. Pension Aspects, Washington, D.C., February 18, 1970
- Part 11. Concluding Hearing, Washington, D.C., May 4, 5, and 6, 1970

PREFACE

Americans, more, and more, are confronted with issues which cry out for fresh thinking and early solution.

We must concern ourselves about an economy which—while surpassing the trillion dollar mark in gross national product—nevertheless is subject to alarming inflationary pressures and recessionary decline at one and the same time.

We must attempt to “unwind” a war while guarding our security throughout the world.

We must attempt to understand the causes of dissensions which spring up among youth, among minority groups, and even among specialists who look at the same set of facts and arrive at totally differing conclusions about such matters as a supersonic transport airplane or water pollution.

How, then, to catch the attention of the Nation and focus it upon a largely unnoticed crisis which now affects a majority of 20 million persons already aged 65 and over, and which threatens to engulf many more millions now nearing retirement age?

That “unnoticed crisis” springs from generally inadequate retirement income; it is intensified by new demands upon that income; and it is made more desperate by the fact that we have yet to declare a genuine national commitment for dealing with this crisis.

In fact, we as yet seem unprepared to make that commitment, or even to recognize the true dimensions of the crisis.

For 2 years, the United States Senate Special Committee has been at work on an exhaustive inquiry into the “Economics of Aging: Toward a Full Share in Abundance.”

Our goal was to make a broad-based evaluation of those public and private programs, social and economic forces and other considerations related in any way to what might be called the *personal* economics of aging.

We wanted to know what is happening, and what will happen, to *individual* Americans who must make the adjustment from employment income to retirement income.

To do that, we had to go far beyond any one program, even one as monumental as Social Security.

We also had to concern ourselves with the promise, and limitations, of the private pension system.

We had to consider the drains on retirement income: illness (Medicare covers less than half the total medical bill of the elderly); the high cost of shelter; the dwindling opportunities for employment even *before* age 60, special consumer needs of the elderly, and much more.

We had to give some thought to special problems of minority groups, but much more intensive attention is still needed here.

To manage so formidable an undertaking, the Committee resorted to two devices.

One was the mobilizing of subcommittees within this Committee to take on individual tasks. Thus, Senator Frank Church, as Chairman of the Subcommittee on Consumer Interests, conducted a hearing on consumer aspects of our subject. Similar hearings, also on specialized aspects of the overall inquiry, were conducted by: Senator Edmund Muskie, Chairman of the Subcommittee on Health (Health Aspects); Senator Frank Moss, Chairman of the Subcommittee on Housing (Homeownership Aspects); and Senator Jennings Randolph, Chairman of the Subcommittee on Employment and Retirement Incomes (Employment Aspects). These hearings, and others conducted on behalf of the full Committee, provided a hearing record of considerable magnitude and depth. To all those who participated as witnesses or as commentators whose views were transmitted by mail,¹ the Committee offers heartfelt thanks.

In addition to dividing the responsibility among subcommittees, the Committee also made intensive use of "working papers" prepared in advance of hearings in order to summarize major facts and to present recommendations by knowledgeable specialists from several fields. These Task Force members, and individual authors of several papers, also have the deep appreciation of this Committee. They were generous with their time and their concern about the issues before the Committee, and they served without fees of any kind. This "honor roll" has the following members:

"ECONOMICS OF AGING: TOWARD A FULL SHARE IN ABUNDANCE", a working paper prepared by a task force:

Miss Dorothy McCamman, *Consultant on the Economics of Aging, Special Committee on Aging*
 Juanita M. Kreps, Ph. D., *Dean of Women's College, Duke University*
 James H. Schulz, Ph. D., *Associate Professor of Economics, Brandeis University*
 Agnes W. Brewster, *Consultant on Medical Economics*
 Harold L. Sheppard, Ph. D., *Staff Social Scientist, W. E. Upjohn Institute for Employment Research*

"HEALTH ASPECTS OF THE ECONOMICS OF AGING", a working paper prepared by an advisory committee:

Agnes W. Brewster, *Consultant on Medical Economics*
 S. J. Axelrod, M.D., *Director, Bureau of Public Health Economics, University of Michigan*
 Melvin A. Glasser, *Director, Social Security Department, United Auto Workers*
 Bert Seidman, *Director, Department of Social Security, AFL-CIO*

"HOMEOWNERSHIP ASPECTS OF THE ECONOMICS OF AGING", a fact sheet prepared by:

Herman B. Brotman, *Chief, Research and Statistics, Administration on Aging, Department of Health, Education, and Welfare*

"ECONOMICS OF AGING IN BERGEN COUNTY", a fact sheet prepared by:

Gladys Ellenbogen, Ph. D., *Professor of Economics, Montclair State College*

¹ Names of witnesses and others who sent statements may be found in the index which appears at the end of this report.

“SOCIAL SECURITY FOR THE AGED: INTERNATIONAL PERSPECTIVES”,
a working paper prepared by:

George F. Rohrlich, *Professor of Political Economy and Social Insurance,*
Temple University School of Business Administration

“EMPLOYMENT ASPECTS OF THE ECONOMICS OF AGING”, a working
paper prepared by the National Council on the Aging’s National Institute
of Industrial Gerontology:

Harold L. Sheppard, Ph. D. (*Upjohn Institute for Employment Research*),
Chairman

Norman Sprague, *Director*

Irma R. Withers, *Deputy Director*

**“PENSION ASPECTS OF THE ECONOMICS OF AGING: PRESENT AND
FUTURE ROLES OF PRIVATE PENSIONS”,** a working paper prepared by:

James H. Schulz, Ph. D., *Associate Professor of Economics, Brandeis Uni-*
versity

“THE STAKE OF TODAY’S WORKERS IN RETIREMENT SECURITY”, a
working paper prepared by:

Nelson H. Cruikshank, *President, National Council of Senior Citizens*

Many of the Economics of Aging working papers were prepared under intense deadline pressure. In almost every case, the preparation of the documents was feasible only because the Committee was fortunate enough to have Miss Dorothy McCamman as consultant for this study. She was on hand when help was needed throughout this entire effort, from beginning to end. In a field to which she has already made many substantial contributions as a staff person within the Executive Branch and as advisor to private organizations, Miss McCamman has now added another major achievement which—it is hoped—will help lead this Nation more quickly to a goal she has long sought: true security for older Americans.

That same goal is sought by this Committee, and—as the following pages declare—that goal is attainable within the early part of this decade.

A clear-cut call to action is advanced in this report. It is in the interest of *every* American, whether now old or far from retirement, to heed that call.

HARRISON A. WILLIAMS, Jr., *Chairman.*

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ECONOMICS OF AGING:
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DECEMBER 31, 1970.—Ordered to be printed

MR. WILLIAMS of New Jersey; from the Special Committee on Aging, submitted the following

REPORT
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MINORITY AND SUPPLEMENTAL VIEWS
INTRODUCTION

“Aging is not easy to ‘sell’, to raise high in a list of national priorities. Much of America still looks for the fountain of youth . . . it is true that a minority of the national population is in the later years today—one in ten Americans is an older American. But 70 of every 100 babies born today may expect to live into their 70s . . . and so we truly speak for a majority.

“Let us speak well and loudly”.

—John B. Martin, U.S. Commissioner of Aging and Special Assistant to the President on Aging, in an address, Denver, Mar. 19, '70

THE “SELLING” OF A SOLUTION

If, as is said in the excerpt above, aging is difficult to “sell” as a priority matter for national concern, it is all the more essential for this Committee to declare, as forcefully as it can, that:

- Our Nation, during this thirty-fifth anniversary year of the Social Security program, has not yet resolved retirement income problems which severely damage the economic status, morale, and even the health of millions of Americans, including many well above the poverty line,

But that:

- It is within the power of this Nation, if it takes full advantage of several unique opportunities during the remaining eleven or so months before the White House Conference on Aging—and in the months immediately following that Conference—to make the 1970's the decade in which this Nation will achieve its declared goal of “an adequate income in retirement in accordance with the American standard of living.”¹

In other words, the “selling of a solution” can be *made* to happen in 1971, and implementation can begin soon after.

As basis for these declarations, the Committee draws upon 2,000 pages of testimony, “working papers” prepared by task forces or individual authors, and from the data or counsel generously provided by dozens of others who have expert knowledge or direct personal association with the problems and programs described.

I. THE PERSISTENCE OF CRISIS

This Committee began its inquiry into the Economics of Aging in December 1968. In the months that followed, during preparation of the first “Working Paper”, it became clear that the Committee had an obligation to declare that the retirement income *problem* in the United States had become a retirement income *crisis*.

Not only were more Americans entering into retirement; they were spending more years as retirees because of a trend toward early retirement and because of sharp increases in the number of the “aged elderly,” those past age 70. Not only was today's crisis visibly worsening, there was every reason to believe that—in terms of sheer numbers of people affected—it would most certainly become even more severe unless major policy changes were made.

In December 1970, this Committee must report that, even with passage of a stop-gap 15 percent Social Security increase late in 1969, the crisis still exists. Details are provided in the next section, but the essential facts are these:

- Two years ago, the aged had less than half the income of those under age 65. The same holds true today.
- Two years ago, approximately 4.6 million people aged 65 and over lived below poverty levels. In December 1969, the latest date for which statistics are available, that number had *increased* by 200,000—and the number from ages 60–64 had also increased by 12,000: *it was only among these older Americans that the number of people living in poverty rose.*
- Two years ago, the Committee received information that an alarming number of workers are retiring before age 65 and accepting reduced Social Security benefits, not because they preferred this form of “retirement”, but because they had no choice. They were out of work, ill, or in marginal employment. There is good reason to believe that this trend is not slowing at all, but actually increasing.
- Closely related to the trend above is widespread unemployment among workers who are 45 years old or older. Since January 1969, the number of jobless “older workers” has jumped from 596,000

¹ As cited in the Older Americans Act, Public Law 89-73, July 14, 1965.

to 1,017,000. Their unemployment lasts longer than that of younger workers, and the older person has greater difficulty in finding work at the same pay level after prolonged "layoff." If current labor force participation trends continue, one out of every six men in the 55 to 59 category will no longer be in the work force by the time he reaches his 65th birthday. Ten years ago, this ratio was only one of every eight. *A new group of "aged poor" is in the making.*

- Two years ago, this Committee expressed concern about the Medicare Part B Premium, which then cost the elderly \$3 a month. It has now been announced that a new increase in 1971 will raise the monthly premium for the Medicare recipient to \$5.60, or nearly double the original amount. And yet, the "Economics of Aging" hearing transcripts are crowded with statements on the hardships imposed upon many elderly who cannot really afford to pay any premiums at all.
- During those same two years, price inflation for medical care was intense: the index rose from 147.4 in October 1968 to 167.9. Medicare provides less than 50 percent of all health care costs of the elderly; and for some individuals, the costs of uncovered care continue to be catastrophic.
- Inflationary pressures in general are far more severe in 1970 than they were in 1968: the overall Consumer Price Index rose from 122.9 in October 1968 to 137.4. For elderly homeowners, the effects of inflation were especially severe because of the direct relationship between high-cost local government services or expenses (education, increases in public employees' salaries, etc.) and the local property tax.

II. RATIONALE FOR ACTION IN 1971

This report has already declared that the stage could be set in 1971 for early resolution during this decade of our retirement income crisis. That statement is based upon these facts:

- Not since early 1960, when this Nation prepared for a White House Conference on Aging, has there been such nationwide interest in older Americans. As 1971 begins, plans are well-advanced for another White House Conference which could—if expressed intentions of the Administration on Aging are fulfilled—be even more incisive and more well-disciplined in terms of focusing upon a limited, but carefully chosen number of issues.

Surely, retirement income is one such issue.

This Committee, in the section which follows, offers specific recommendations which will set the stage for optimum effectiveness of the White House Conference on this issue. These actions would help assure that the White House conferees would grapple with the problems on terms which will help assure solutions in the 1970's.

- The President of the United States has, within recent months, received a Task Force Report² which recommended revision of the proposed Family Assistance Program to raise all older Americans above the poverty line, far-reaching innovations in the

² "Toward A Brighter Future For the Elderly," The Report of the President's Task Force on the Aging, April 1970.

private pension system, and major changes in Social Security. The Committee does not wholly agree with every proposal advanced by the Task Force, but does recognize that its report issues a clear call for action on a scale as yet unattempted in this Nation. The Task Force report builds upon the programs advanced by the President and his two predecessors. It is a major event in the development of a national policy on aging.

—Within the Congress, a proposed cost-of-living adjustment mechanism within the Social Security System—sought by both Presidential candidates during the 1968 campaign, sought by the present Administration, sought by many individual and influential legislators—was passed by the House of Representatives. This action alone is a harbinger of more far-reaching actions that could be taken to reform Social Security.

But this Committee urges that the automatic adjustment mechanism have as a base more adequate benefit levels than those advanced in 1969 by the Executive Branch, and that the financing for any such measures be based primarily upon growth of the Social Security trust fund, rather than on additional, regressive taxes upon employee-employer contributions.

—Congressional units, and the Executive Branch, have recognized that legislation should be enacted during the 92nd Congress for improvement of private pension coverage. This interest, culmination of several years of close scrutiny of the pension system, could produce additional, and important, impetus in our progress to a national commitment on retirement income.

Even more important than the factors described above is that action *must* be taken early in the 1970's because the problem is so grave.

To those who say that major reform is not possible in a Nation which is fighting a war, inflation, and at least semi-recession at the same time, this Committee points out that it is far more reasonable to assume that we in this Nation will resolve these problems, rather than succumb to them. It is also reasonable to assume that we will resolve them fairly early in this decade.

And therefore it is imperative that we be prepared to act in a spirit of confidence, rather than despair—to have an action plan ready to become reality.

On the pages that follow, several recommendations are made for legislative action. Several proposals are also made for what appear to be fact-finding mechanisms. Actually, the Committee is not calling as much for fact-finding as it is for problem-solving. An "Institute on Retirement Income," for example, is proposed—not for the sake of more "study" or because this Committee is uncertain about the need for action—but because such an institute can provide as-yet unavailable information that will help the Congress and the Executive Branch to make hard decisions on specific, concrete issues.

Here, within our grasp, are ingredients for a solution which now must be "sold" to policy makers within government, to informed persons throughout the field of aging, no matter what their specialty; to older Americans, and to each young person who will some day find that today's solution for others will be his, too, in fewer years than he thinks. As a first step toward the "selling" of this solution, the Committee now offers its recommendations, followed by two sections in which witnesses and others who contributed to the study are quoted at some length.

PART ONE

COMMITTEE RECOMMENDATIONS

I. THE NEED FOR A NATIONAL POLICY AND COMMITMENT

Our Nation, economically developed as it is, has not only failed to formulate a national policy with respect to its aged population but it has failed to put into usable form the essential facts on which such a policy should be developed.

Necessarily, therefore, the Committee's two-year study of the Economics of Aging has focused on specific aspects, sometimes without relationship to intrinsically interrelated aspects and almost always without relationship to an adequate backdrop of essential information.

During two years, we have seen a new effort to shift priorities, to "deemphasize" Federal expenditures for the aged in favor of the young. (For additional discussion of this effort, see p. x of "Developments in Aging-1969.") Such comparisons completely ignore the fact that the vast bulk of so-called "Federal" expenditures for the aged are from trust funds into which workers and their employers have contributed to provide basic support in old age, while the young are largely supported by their parents' current earnings. But perhaps even more important, these comparisons ignore the fact that a Nation as rich as ours can do better by both the old and the young. This need not be an "either/or" proposition.

1971 WHITE HOUSE CONFERENCE ON AGING

Our first recommendation is therefore that we maximize the opportunity provided by the 1971 White House Conference on Aging to develop a basic national policy and the commitment essential to carrying out this policy.

This recommendation is clearly consistent with the objectives of officials charged with responsibility for directing the Conference. Repeatedly, official statements and directives have described the ultimate purpose as the shaping of a national policy for aging, derived from informed discussion of alternative approaches and thoughtful evaluations of practicality or feasibility. For example:

The 1971 White House Conference on Aging is projected as a serious and difficult undertaking. The principal task . . . is to arrive at a carefully weighed, comprehensive system of national policies which will give direction to action on behalf of older people at national, State, and community levels.¹

In the hopes of achieving this objective, the design of the Conference places great emphasis upon limiting the number of recommendations to those of major substance and priority.

¹ "Technical Guide for Community and State White House Conferences on Aging," published by the Administration on Aging, November 1970.

The Committee has these additional suggestions for maximizing the opportunity afforded by the Conference.

As an essential to development of a basic policy acceptable to the entire Nation, the Conference must not be fragmented and split by partisan debate. It would seem necessary to provide a mechanism at the Conference—for example, a final vote during a closing plenary session—for voicing this total commitment. Only in this way can the Conference result in a clear mandate on issues that cut across the concern of more than one section, for example, the issue of the Social Security retirement test.

Further, in the preliminaries to the Conference, it is essential that background papers and other fact finding reports be so soundly based as to preclude the possibility that the Conference itself will get bogged down in debate over statistics and projections that are so technical as to be beyond the competence of the layman the Conference is designed to include.

For illustration, we can assume from this Committee's two-year study that a major retirement income issue at the White House Conference in 1971—much as the issue of Medicare dominated the 1961 Conference—will be the role of private pension plans in providing income security for the aged of the future. If it is assumed that most retirees of the future will qualify for private pensions, it is reasonable to hold the basic social security benefit below the level that would be justified were the benefit the main source of support for retirees of the future, just as it is for those today. But unlike the issue of Medicare, where there was clearcut documentation that older people have higher than average medical costs and lower than average incomes with which to pay these costs, the debate on the issue of private pension plans will be conducted in an aura of speculation about the future.

We therefore recommend that in furthering the objectives of the White House Conference, there be immediately convened task forces of experts of various disciplines—and without regard to political affiliation—to define the reasonable limits of future expectations in relation to private pensions and other sources of income so that the delegates to the Conference itself will not be confused by competing claims.

AN INSTITUTE ON RETIREMENT INCOME

Because the problems of income maintenance in old age are so complex and so pervasive, we need a continuing mechanism for developing and implementing national policy.

In 1968, the Chairman of this Committee first introduced a bill (S. 4115) to establish an Institute on Retirement Income. The bill was reintroduced on February 4, 1969, to permit consideration by the 91st Congress (S. 869).²

This legislative proposal would establish an Institute on Retirement Income to “conduct studies and make recommendations designed to enable retired individuals to enjoy an adequate retirement income”. The Institute would be a “think tank” concerned with all aspects of retirement income—private pensions, social security and other systems of retirement assistance, not necessarily limited to existing plans or programs.

² See Appendix A for the text of S. 869 and Senator Williams' introductory remarks.

Had the provisions of S. 869 been enacted, we would have been much better prepared for the deliberations of the White House Conference—much surer that the policy developed through these deliberations was soundly based on careful research.

The Institute on Retirement Income, while overdue, would still serve its fundamental purpose of assuring that the retirement policies and commitments which this Nation makes to its people are based on the firmest possible foundation.

During the course of the Committee's two-year study, the need for an Institute on Retirement Income—even though not so identified—was repeatedly underscored. Here for example are seven specific subject areas on which expert witnesses urged research appropriate to a Retirement Income Institute—subjects which cut across the jurisdictional responsibility of government departments and Congressional committees and in which the private sector has a profound interest:

1. Projections of coverage and benefits under private pension plans, essential to the development of public policy in the area of social security.

2. Analysis of proposals for expanding the coverage of private pension plans—three of which were proposed during Committee hearings—assessing their likenesses and differences with a view to developing a sound legislative proposal.

3. An objective assessment of the Social Security "retirement test", and various proposals for elimination and drastically changing its character, from the point of view of the effect of the test on employment opportunities for the aged as well as optimum use of social security funds, and with account taken of any offsets to costs which result through gains in income taxes and savings in welfare payments.

4. Lessons to be learned from foreign experience with public and private pension systems, especially in methods of adjustment to productivity.

5. Study of various methods of automatically adjusting social security benefits to rising costs and *standards* of living, including specifically an assessment of the appropriateness of using the Consumer Price Index for adjustment of benefits of an aged population.

6. Follow-up research on an attitudinal study of a proposal for converting the equity in the owned home into a lifetime annuity and on the mechanism whereby such a proposal could be implemented.

7. Development of models indicating the cost of various alternative methods of achieving retirement income of adequate level and related to the growth of the economy, for use in establishing an order of priority.

We therefore recommend that the 92nd Congress give prompt consideration to legislation—to be introduced early in the first session—establishing an Institute on Retirement Income.

II. RETIREMENT INCOME

Nearly two years ago, the working paper prepared for the Senate Committee on Aging by a Task Force on the Economics of Aging

sounded the alarm about a retirement income crisis, a crisis that appeared to be deepening. Since then the figures used to document this crisis have changed slightly. Yet the message remains the same:

The economic problems of old age are not only unsolved for today's elderly, but they will not be solved for the elderly of the future—today's workers—unless this Nation takes positive, comprehensive actions going far beyond those of recent years.

CURRENT DATA ON INCOMES OF THE AGED

In 1967, the median money income of families with an aged head was 46.2 percent of that for younger families—a drop from 50.6 percent in 1961. In 1969, the gap had narrowed somewhat to 47.6 percent. Similarly, the median income of unrelated aged individuals as a proportion of the median for younger individuals dropped from 47.2 percent in 1962 to 40.5 percent in 1967, but then rose to 43.0 percent in 1969.³

Perhaps of more significance is the fact that a comparison of older and younger families of the same size clearly reveals that the aged have less than half the income of those under 65. For example, a special analysis of Census data for 1968 shows that aged couples (2-person husband-wife families) had a median money income of \$4,038, well below half the median of \$8,752 for younger couples. And the gap was even greater for individuals living alone or with nonrelatives: for the aged men \$1,916 in comparison to \$5,277 (not much more than one-third) and for the aged women, \$1,670 in comparison to \$3,349.

A most distressing fact—a disgrace in a Nation pledged to an all-out war on poverty—is that there was an increase in both the number and the proportion of aged poor between 1968 and 1969.⁴ In 1969, there were approximately 4.8 million people aged 65 and older who were living in poverty, almost 200,000 more than in 1968. They represented 19.7 percent of all persons 65 and older in 1969, an alarming rise from the 18.2 percent found for 1968. Alarming too was an increase in the number of poor aged 60 through 64.

Today older Americans are twice as likely to be poor as younger persons. One out of every four individuals 65 and older—in contrast to one in nine for younger persons—lives in poverty.

Significant also is the fact that there were major increases between 1968 and 1969 in the number of men among the aged poor. The Working Paper on "Economics of Aging: Toward a Full Share in Abundance" called attention to the fact that—despite a drop in the overall proportion of the aged who were poor—the number of aged women living alone in poverty had increased in recent years, "reflecting the desire to live independently even at the price of poverty." Now that the data reveal an increase in poverty among men over 65, one can not help but question whether these are men who, having been eased out of the labor force before age 65, found it necessary to claim permanently reduced social security benefits even though they had little in other retirement income—thus forming a new group of aged poor.

³ Data on the trend in median money income and the distribution in 1969 in Tables 1 and 2 of Appendix B.

⁴ For data on trends and a detailed analysis of the characteristics of the aged poor, see Tables 3-6 in Appendix B.

Since the Task Force's Working Paper was prepared, new data are available from two surveys of the Social Security Administration. One—the Survey of Newly Entitled Beneficiaries—throws further light on the characteristics of persons who claim benefits before age 65. The first of a series of Social Security *Bulletin* articles (November 1970) based on this survey included these summary conclusions:

About 50 percent of currently payable awards to men are to those aged 62 at entitlement. About 1 in 5 of them has not worked for at least 12 months before his entitlement—a far higher proportion than among those who became entitled at ages 63, 64 and 65. Among the group as a whole, about 6 in 10 men filed either in their month of entitlement or within 3 months in advance of that month. *A certain urgency is thus implied for some of them—almost as if they were in a queue waiting for the minimum age for retired worker benefits to arrive.* (Emphasis added.)

and

About 25 percent of the men claiming reduced benefits and 40 percent entitled at age 65 to benefits payable at award also reported income from a private pension plan. About 9 percent of the former and 15 percent of the latter reported income from public pension sources other than social security. Barely one-third of men with reduced benefits had supplementary pension income in addition to social security benefits.

The other survey is the 1968 Social Security Survey of the Aged, a survey that provides data permitting a comparison with data from earlier surveys discussed in the Task Force's Working Paper. Among the Preliminary Findings of the 1968 Survey, reported in the April 1970 Social Security *Bulletin*:

- Of all aged units, 44 percent had income below the poverty level in 1967 (\$2,020 for couples and \$1,600 for nonmarried persons). Another 11 percent would have been classified as “near poor”.
- Only about one-third of the aged units had incomes large enough to provide at least a moderate level of living as defined by the BLS budget for a retired couple (\$3,930).
- Even of the couples receiving social security benefits, more than one-fifth (22 percent) had total incomes of less than \$2,020 and would therefore have been classified as poor on the basis of the 1967 income threshold developed by the Social Security Administration. Nearly three out of every five nonmarried beneficiaries had income below the poverty threshold of \$1,600.
- The Social Security benefit remains the major source of income for most retirees. One-fourth of the aged couples on the rolls at the end of 1967 and two-fifths of the nonmarried beneficiaries depended on Social Security for almost their entire support—for all but \$300 per person for the year. And, significantly, there had been little improvement in this respect since the incomes of aged beneficiaries were surveyed a decade earlier.

A. SOCIAL SECURITY

Of all persons 65 and older, nine in ten now receive or are eligible to receive social security benefits. This fact, in combination with the

urgent need for action documented by the findings above, clearly indicates that *the fastest and most direct way of improving the income situation of the total aged population is through an increase in the benefits of the Social Security system.*

Our emphasis on the use of the Social Security system as the means of delivering fast improvement in the income situation of the aged is not intended to preclude careful consideration of the various innovative proposals for reforming our system of income assurance for the aged—for example, proposals for a negative income tax in combination with a wage-related benefit. It is instead because of the urgency of the problem and because development of any drastic departure from the time-tested and widely accepted Social Security system would take a longer period of deliberation than our aged population can afford to spend in waiting for the optimum solution to their problem *now*.

PENDING LEGISLATION

Late in 1970, the Senate passed a bill that would make some badly needed changes in Social Security—improvements representing a major step forward in dealing with our present retirement income crisis. Final resolution of differences between the House and Senate bills was not accomplished in the 91st Congress but similar amendments will undoubtedly receive the early attention of the 92nd Congress.

The Senate bill would raise benefits by 10 percent, a much more realistic increase in this period of spiraling inflation than the 5 percent increase passed by the House last May. Even more significant, the Senate bill raises the minimum benefit—now \$64 and increased to only \$67.20 under the House legislation—to \$100 a month, an amount that would lift many elderly people out of poverty.

Both bills liberalize the retirement test by raising the amount that a beneficiary under age 72 may earn without loss of benefits (to \$2,000 in the House-passed bill and to \$2,400 in the Senate version). For all earnings above the exempt amount, the bills would provide for a \$1 reduction for each \$2 of earnings.

Both bills increase the widow's benefit to 100 percent of the primary benefit of the deceased spouse. Both correct a gross inequity in the present benefit for men who retire before age 65 by providing an age-62 computation point for them, just as now exists for women.

The bills provide other improvements not spelled out here.

Of great significance is the major innovation of automatic increases in the benefit level, the tax base and the exempt amount under the retirement test. Here the Senate bill departs from the House-passed measure by stressing the predominant role of Congress in determining benefit levels with the automatic provisions serving as a back-up to assure that in the absence of Congressional action, the real value of benefits would not be seriously eroded by rising prices. The Senate version is to be preferred, emphasizing as it does that the Congress is not abdicating responsibility for more meaningful increases in benefit levels. Unfortunately, however, the Senate version contains an undesirable provision in that it would finance approximately half of the cost-of-living increase through an increase in tax rates with the other half—rather than 100 percent as in the House-passed bill—through an increase in the taxable wage base. The effect of financing part of the cost through higher tax rates is to increase the burden shouldered by workers who have low earnings and can least afford a tax increase.

The Special Committee on Aging urges that the Congress speedily enact the Social Security Amendments adopted by the Senate, modified to include the House-passed provision for financing cost-of-living increases.

NEXT STEPS

The improvements summarized above fall far short of the bold reform of Social Security urged by witness after witness over the last two years.

If benefits are raised by no more than the increase in cost-of-living, just as many of our elderly people will remain just as poor as they now are. They may even become poorer in the years ahead when advanced age and deteriorating health deplete whatever resources they may have in addition to their benefits. There is virtually no chance that their economic situation will improve; they are literally frozen into poverty.

Future retirees too will have no larger share in economic abundance unless a major reform in benefit levels is achieved. To assure that workers retiring in the years ahead will receive benefits more reasonably related to their past earnings requires a significant increase *now* in the amount of earnings taxed and credited for benefits, with automatic adjustment thereafter to raising wage levels. It requires further that the earnings on which benefits are based be more reasonably defined, for example 10 years of the 15 years of highest earnings.

We therefore recommend that the 92nd Congress give early attention to the major changes in benefit levels that are needed to provide meaningful economic security for those now retired and to assure that workers retiring in the future will realize their full stake in retirement security.

By the time the Congress embarks on a consideration of major reform, recommendations of the Social Security Advisory Council will be available. (The Advisory Council recommendations were scheduled to be transmitted to the Congress by January 1, 1971; the Social Security Commissioner has advised the Senate Special Committee that the reporting date has been extended to permit consideration of any changes enacted by the 91st Congress.) Administration witnesses at the hearings during the last two years suggested that major changes in the Social Security system be postponed until the Advisory Council had an opportunity to study all aspects of the Social Security program and to make recommendations for improving the system.

Without knowing what the Advisory Council will recommend, this Committee wishes to identify one major area for improvement.

We recommend that serious consideration be given to the use of general revenues in the financing of the Social Security system, with the share identified through a formula spelled out in the legislation.

One thing that our hearings have made clear is this: Each generation of workers bears the responsibility of supporting the nonproductive population, whether older or younger. The Congress has a responsibility for assuring that the financial burden borne by workers is spread in the most equitable manner.

The Social Security tax—as a tax—is regressive. We question whether low-paid workers should be expected to pay a regressive tax

at the higher rates needed to finance essential improvements in our Social Security system.

Of the long-run costs of the program, about one-third is attributable to the cost of paying full benefits to those already close to retirement when first covered by the system (the cost that would be called "accrued liability" in a private pension system). This would seem to be a reasonable share to be borne out of general revenues—especially since many of these oldest people would otherwise have been supported through public assistance. (Senator Winston Prouty (R.-Vt.), Ranking Minority Member of this Committee, has—on several occasions—made the case for carefully-chosen, limited use of general revenues within the Social Security system. The "Prouty Amendment" of 1966 provided a modest monthly benefit to individuals over age 72 who had never been covered by Social Security. The Senator recently estimated that over a million Americans have received that benefit. His "Older American Income Assurance Act of 1970"—S. 3554—would use general revenues to set an assured income level at \$1,800 per year for an individual and \$2,400 for an aged couple.)

There may be other more appropriate ways of measuring the share that should reasonably be borne through a progressive tax covering the total population rather than through a regressive payroll tax. *What we are endorsing is the principle of general revenue financing of a specified and determinable share of the costs of the total system.*

There is one other area of change in the Social Security system that, in the months ahead, will be debated in the White House Conference as well as in the Congress: The retirement test that determines whether social security benefits are to be withheld or reduced because of earnings. Undoubtedly, the Social Security Advisory Council will have recommendations on this test—the least understood and the most unpopular feature of the system. We have suggested earlier in this Report that the retirement test—and modifications that would take account of adequacy of income—be studied from a point of view broader than that focused on the Social Security system itself.

We would add here one comment in the nature of a caution against premature elimination or too drastic revision of the test. With an improved benefit level, many older people would no longer find it necessary to compete for jobs in order to supplement inadequate retirement income. This, in combination with broader opportunities for the retired to serve in noncompetitive, part-time community service activities, could greatly reduce pressures to eliminate the retirement test.

B. OLD-AGE ASSISTANCE AND WELFARE REFORM

We strongly endorse the efforts to reform the welfare program for the American people of all ages. Our concern here is with the Family Assistance Plan as it relates to the adult categories and especially to the aged.

The Federal minimum floor in the Senate bill of \$130 for a single individual and \$200 for a couple would come close to spelling the end of poverty for many of the two million aged now receiving Old-Age Assistance. There are, however, millions of other elderly people with incomes below the poverty level who do not receive assistance—most of them presumably because of unwillingness to subject themselves to a demeaning means test. Administration estimates of the impact of

the new legislation assume that old-age assistance caseloads would not rise markedly.

We fully appreciate the dilemma faced in our national effort to reform our welfare program—to achieve substantial improvement without excessive costs. Yet the way out of this dilemma is not simply to assume that these payments will not be claimed, whether because of lack of information about availability or because of administrative barriers designed to deter claims. *Real reform requires changes that make the conditions under which welfare is paid both widely known and publicly acceptable.*

We recommend that the Federal commitment to the elderly undertaken through the Family Assistance Plan be translated into a whole-hearted commitment, with 100 percent Federal financing and Federal administration.

In recommending 100 percent Federal financing and administration, we are not now recommending a complete integration of Old-Age Assistance and Social Security—a “blanketing-in” of the uninsured elderly into the social insurance system.

We are aware that the President’s Task Force on Aging, in its Report “Toward a Brighter Future for the Elderly” has recommended not only that the Federal Government bear 100 percent of the costs of financial assistance to bring the incomes of the elderly up to the poverty line but also that eligibility for assistance be determined and payments made through the Social Security District offices.

We also heard testimony from highly respected experts, including a former Commissioner of Social Security and a State Commissioner of Health and Welfare, who questioned the logic of separating old-age assistance from old-age insurance.

The other side of the coin is presented in the following statement from HEW Secretary Finch:

* * * if non-contributors are to receive payments at the same, or approximately the same, level as many contributors, and if there is no means test for these payments, it may seem quite unfair to those who have contributed toward Social Security.

Moreover, if a non-contributory benefit is administered through the same mechanism as the contributory benefit, there is a possibility that the way people feel about Social Security and their Social Security contributions could be completely altered. There is a real possibility that instead of the public assistance program being lost in the combined program, the identity of the Social Security program would be lost in it.

The Committee believes that the Social Security program is now such an integral part of the way of life of this Nation that any reform of our welfare system should be carefully designed so as not to jeopardize acceptance by workers contributing to the social insurance program.

C. PRIVATE PENSIONS

Legislative Committees, specially appointed Presidential Committees and Task Forces have deliberated for long months over the potentials and responsibilities of private pension plans in providing retirement security.

Essentially, the basic issue would seem to be: What measures will encourage and stimulate the continued development of private plans, avoiding the imposition of heavy costs or other burdens that tend to stifle healthy growth?

Coverage of private pension plans more than tripled in the decades of the fifties and sixties, rising from 9.8 million in 1950 to nearly 30 million in 1969. But coverage is meaningful only if it gives rise to benefits. Indeed, coverage that cannot reasonably be expected to result in any benefit for any large portion of covered workers may be worse than no coverage at all in that it gives a false feeling of security to workers individually and to others responsible for formulating policies related to retirement income.

How then can existing coverage be made truly meaningful? And how can coverage be extended to the millions of employees not now protected, most of whom work in small firms and in relatively unstable employment situations?

The Committee's hearings, while not providing firm answers to these questions, yielded a wealth of material for use in arriving at the answers.

The hearings clearly showed that, not only is there lack of agreement as to the solutions, there is lack of agreement as to the dimensions of the problem. Projections to 1980 of the income the aged population could expect to receive from the existing private pension system were called both too optimistic and too pessimistic.

We therefore repeat here recommendations made above that, in furthering the objectives of the White House Conference, there be immediately convened Task Forces of experts of various disciplines—and without regard to political affiliation—to define the reasonable limits of future expectations in relation to private pensions and other sources of income so that the delegates to the Conference itself will not be confused by competing claims.

We reaffirm too our earlier recommendation that there be immediately established an Institute on Retirement Income. We call specific attention to the work such an Institute could do in developing a feasible national mechanism whereby workers not likely to be covered by existing private pension arrangements could build up protection over their working lifetimes. Three proposals along these lines are set forth in Part Three, along with a proposal for use of the Social Security system in providing supplementary pensions. These proposals should be carefully researched.

In this connection, the President's Task Force on the Aging has recommended that there be established an independent Pension Commission and "that the President direct the Pension Commission, as a high priority, to enlist the ingenuity of the financial community in designing as a companion to the Social Security system a portable voluntary pension system". The Committee is not commenting on the proposal for establishing a Pension Commission but we feel strongly that an Institute on Retirement Income could be of great assistance in the developmental work involved in designing a portable pension system.

At the hearings, several experts sounded "early warnings" with respect to rising unemployment resulting from plant shutdowns, and the impact of lost pension rights on managerial and professional workers as well as on the worker who expects a certain amount of unemployment during his worklife, especially after middle-age. Our hearing

transcripts are replete with testimony about the alarming trend toward earlier and earlier retirement, too often involuntary. But since plant shutdowns also result in a reduction in the eventual retirement income of workers who are still far from retirement, should we not be considering such devices as a freeze on rights to social security benefits and Constant Purchasing Power bonds as an investment device for pension plans, in order to preserve the value of vested rights for the worker who is laid off? See page 60 for a reference to Constant Purchasing Power bonds).

We recommend that immediate attention be given to the special problem of safeguarding the retirement income of workers who lose their jobs as a result of plant shutdowns, commonly after long service and who—like the deteriorating plants that are first to be shut down—are likely to be middle-aged or older.

III. HEALTH ASPECTS

The frame of reference against which the Committee has considered the health aspects of the economics of aging was stated in the preface to the Working Paper on Health Aspects:

If we in this Nation ever hope to establish an adequate retirement income maintenance program, we will have to resolve medical cost problems that otherwise will remain an intolerable drain upon the limited resources of the elderly and forestall every alternative in providing adequately for the economic security of the aged.

The mere passage of time during a period marked by price inflation—inflation especially great in relation to medical costs—compounds the problems of financing of health costs for the aged. A large portion of these costs is financed through public programs, notably Medicare. But the more the cost increases, the larger grows the range in costs that an aged person must pay out of pocket. The cost to an individual becomes increasingly unpredictable, a personal burden—perhaps even a tragedy—not fully reflected in the data that follow.

HEALTH COSTS—A FEW RECENT FACTS

- In fiscal year 1969, the average health bill for a person 65 or older was \$692, six times that for a youth and two and one-half times that for a person aged 19–64.
- Of the average health bill for an aged person, \$335 was for hospital care, \$107 for physicians' services and \$250 for all other types of health expenditures.

Averages, especially in relation to health costs, can be very deceptive. Most older people share in the expenditures for physicians' services. In contrast, the bill for hospital care and for nursing home care (which accounts for as much as 45 percent of all expenditures other than hospital and physicians' services) is concentrated on a smaller portion of the aged population during the course of any one year. So too is there great variation in the average protection older people have against health costs. Medicare does a much better job of covering the costs of a serious illness requiring hospitalization than it does in relation to recurring doctor bills; and Medicare leaves uncovered the drug

expenditures for chronic conditions that plague so many older people as well as long-term nursing home bills.

- In the 2-year period ending June 30, 1969, health expenditures for the aged rose by 42.2 percent, twice as fast as the expenditures for younger persons. The faster rise for the aged reflected the growing importance of Medicare as a source of funds in addition to such factors as population growth, rising prices per unit of service, the increase in per capita utilization, and the rising level and scope of services.
- Medicare covered nearly half (47 percent) of the total personal health care expenditures of the aged in fiscal year 1969, leaving uncovered an average health bill considerably larger than the total health bill for the average younger person.
- When Medicaid and other public programs are included, 72 cents of every \$1.00 of expenditures for health care of the aged came through public programs.
- Older people insured by Medicare are now paying \$5.30 per month in part B premiums and an increase to \$5.60 per month as of July 1, 1971, has just been announced. This represents nearly a doubling in the monthly premium since the program was launched five years ago.
- The payments that the patient in a hospital or extended care facility must make under Part A of Medicare have also increased. The payment rates that go into effect on January 1, 1971, are 50 percent higher than when the program was started (for example, the patient must pay the first \$60 of the hospital bill instead of the first \$40).

PROSPECT OF A NATIONAL HEALTH INSURANCE PROGRAM

Two points clearly emerge from the testimony of expert witnesses. First, it is not enough for the government to provide only a financing mechanism for health costs; there is an attendant responsibility for assuring the delivery of high quality and effective services. And second, there are serious problems built in from the start if the focus of the health care system is on the aged—the highest risk group; as one witness put it: "This is the logic for writing automobile insurance for people only when they are intoxicated."

In the months ahead, we can expect that the Nation, through its executive and legislative branches, will be giving careful attention to proposals for national health insurance for the total population. The Ninety-first Congress received numerous proposals. In the Ninety-second Congress these will undoubtedly be reintroduced along with many more.

The Committee on Aging has said, in recent annual reports, that one way to assure acceptance of a national health insurance program for all age groups is to perfect the Medicare program and to apply the lessons learned from this program to more general coverage.

In addition, this Committee suggests that appropriate congressional units consider the possibility of establishing—on whatever basis is most appropriate and consistent with the jurisdictional responsibilities of those units—a task force which will, within

a specified time period (such as six months) assemble analyses of various proposals, cost estimates of these proposals, evaluations of the adequacy of existing technical knowledge about sub-proposals designed to increase the efficiency of our health care delivery system, and other issues closely related to the fundamental questions which will face any legislator who considers national health insurance, namely, (A.) "What will the new demands for service be under widely extended public insurance coverage, and (B.) what more must be done to assure that our medical resources are capable of meeting that demand?"

URGENTLY NEEDED STEPS TO IMPROVE MEDICARE

Whether or not it is assumed that this Nation will enact a national health insurance system, there are a number of immediate actions that we must take, actions that reinforce each other, provide a sound base if a national health system is enacted, and—more importantly—make *immediate* improvements in health protection for the aged.

The Ninety-first Congress, after serious attention to the problems of Medicare, developed numerous recommendations for change, aimed mainly at controlling costs rather than directly improving the beneficiary's protection. A notable exception is the proposal for a Health Maintenance Organization option, whereby persons covered by Medicare could elect to receive comprehensive, coordinated health care through prepaid group health plans, emphasizing regular screening and other health maintenance practices.

We must also expand and improve Medicare, particularly by including prescription drugs essential for the treatment of the chronically ill, and by covering disabled beneficiaries.

Medicare has been of untold value to the aged but as one older person put it—"Medicare to us is like a leaking umbrella. You go outside when it is raining and you think you have protection and you open it up and the rain comes right through it."

Task Forces appointed by HEW to study the question of inclusion of the disabled and the coverage of prescription drugs have urgently recommended such improvements; the recommendation of the task force on drugs even survived a review by another committee appointed after the change in Administration. We believe that task forces should be something more than delaying actions. We therefore endorse improvements in Medicare that have been recommended by these task forces.

It is imperative that Parts A and B of Medicare be merged and that costs of Part B be financed through taxes on rising payrolls and general revenues rather than from premiums paid by aged persons living on low fixed incomes.

It has become increasingly difficult for older people to understand why they must pay ever-rising monthly premiums for Part B protection—and at the same time pay higher charges of physicians, especially if the physician refuses to take assignment. Older people who are hospitalized are well aware of the benefits of Medicare but there is danger that the average older person may question whether he should continue to pay the increasingly larger premium for Part B, particu-

larly since he has no way of knowing what portion of his doctor bills will be reimbursed by his insurance. It would be tragic if—after the hard-won struggle for Medicare—large numbers of older people found it necessary to drop their insurance against doctor bills.

The 92nd Congress should give serious consideration to removing the requirement of three days of prior hospitalization as a condition for extended care benefits.

We are well aware of the reasons for this requirement: essentially, the extended care benefit was designed to assure that patients hospitalized in acute care facilities did not remain longer than was medically necessary. But the result of the requirement has been to hospitalize patients unnecessarily and even to prolong the stay in the acute care facility while arrangements are made for transfer to the extended care facility.

In practice, the requirement has proved not only disruptive to optimum patient care but wasteful of tax dollars. The elimination of the three-day requirement is of the first order of priority.

MEDICAID SHOULD BE IMPROVED—NOT WEAKENED

The searching inquiry into Medicaid undertaken by the Ninety-First Congress resulted in numerous proposals to control costs. Little was suggested to improve and strengthen the program.

This Committee seriously questions the amendment that would downgrade Medicaid by repealing the provision now in the Social Security Act requiring States to have comprehensive Medicaid programs by 1977.

The repeal of the requirement has been explained as for the purpose of relieving the States of an increasingly heavy burden for Medicaid. One cannot help but interpret this change in Medicaid, however, as the initial step toward phasing out Medicaid, particularly since the Administration has promised to develop a proposal for a Family Health Insurance Plan by February 1971. This proposed health insurance plan, as explained by the Administration, will relate only to families with children who are eligible under the Family Assistance Plan. It would offer no protection to those who receive cash assistance because of age, blindness, or disability, or to millions of other medically needy older persons—including those eased out of the labor force before becoming eligible for retirement benefits. It would offer no protection to those over age 65 for the costs not covered by Medicare—and Medicare covers less than half the total medical bill of the average aged person and a much smaller proportion of the medical bill of those with heavy drug costs or expenses for nursing home care. For these millions of older people, the need is for an improved and expanded program of protection against health costs, not a drawing back from the basic commitment under Medicaid.

We therefore recommend that the 92nd Congress retain the provision in the Social Security Act which would require States to have comprehensive Medicaid programs by 1977 and that other necessary steps be taken to improve the Medicaid program.

TRANSLATING HEALTH CARE INTO SOCIAL CARE

Too many older people are living out meaningless days in institutions simply because there are no alternative arrangements for more

appropriate care. This Nation lacks the home care and homemaker services that would permit the frail older person to live independently at home. It lacks neighborhood centers and programs of day care that make it more feasible for three generations to live together. It lacks alternatives to nursing homes and mental hospitals for the older person who needs sheltered care.

We have much to learn from the pioneering efforts of Dr. Lionel Cosin at Oxford Hospital in England, now introduced to this country on a demonstration basis at the mental hospital at Goldsboro, North Carolina. As just one feature of this innovative approach, former patients can often be cared for by their adult children simply because the hospital readmits them when the family needs respite from the stress and strain of caring for the older person.

While this Committee is vitally concerned with the possibilities of innovative programs of social care, our focus in this report is on the economics of health aspects. And here it is clear that drastic change in our financing arrangements is necessary if this Nation is to achieve programs of health care appropriate to the needs of the aged population.

One expert told us: "Please understand that it is valid to consider the providing of a proper environment in which to regain health as a health care expenditure.

We have not yet recognized the validity of this concept in our financing of programs. We use billions in tax dollars to maintain the aged in institutions instead of financing programs that would enable them to live in their own homes in much more comfortable and satisfying surroundings. This point was stressed by one witness who said:

"Thus, when families are able to do so, they care for old people at home. I do not believe, Senator, that love and morality can be legislated. Yet it is a paradox that funding mechanisms often put a premium on separating old people from families. For example, in Pennsylvania an indigent sick older person is entitled to a maximum monthly grant of \$121 while he lives in the community, but may receive a maximum grant of \$285 in a nursing home. Why cannot the very same tax dollar, the differential of \$164, be used to pay for homemaker or other services which would enable the family to maintain the old person in the community?"

When this Nation was debating Medicare, opposition was not infrequently expressed on the grounds that families would place their aged parents in hospitals in order to get a vacation from the job of caring for them at home. This, on a constructive basis, is what the Oxford University program does. What changes then are needed in our attitudes—and thereafter in our financing arrangements—to make possible similarly enlightened care in this country?

We recommend that an intensive educational campaign be conducted toward the acceptance of the concept that programs to provide "a proper environment in which to regain health" are valid health expenditures which will, in the last analysis, save public funds and prevent needless drains upon the fixed income of elderly individuals.

IV. EMPLOYMENT ASPECTS

Older workers continue to "drop-out" of the labor force in alarmingly large numbers and the evidence points—in most cases—to unwilling departure.

Failure to maximize employment opportunities for mature workers is not only a loss of valuable manpower for the Nation, but it is also a tragic loss for involuntarily retired individuals in terms of their dignity and their self respect. The price the Nation pays for this inaction is a growing dependency ratio of nonworkers to workers, and an intensification—now or in the near future—of the overall retirement income crisis.

WORK TRENDS FOR THE MATURE WORKER

Various indices suggest that the critical period in the work lives of adults occurs during their late forties or early fifties. For this age group, several discernible trends become evident:

- Joblessness increases;
- Duration of unemployment rises sharply;
- Labor force participation declines;
- Future retirement income is reduced; and
- Poverty increases.

Steadily mounting unemployment all across the country and through most of the segments of the economy has now created a critical national problem of crisis proportions. From January 1969 to November 1970, the unemployment rate climbed from 3.4 percent to 5.8 percent—adding nearly 2.2 million workers to the jobless rolls.

All age groups have been affected one way or another, whether it is in the form of shorter work weeks, mass layoffs, smaller paychecks or spiraling inflation. But, older workers and their families have been especially hard-hit. Many have discovered that they have lost more than their jobs. Thousands have also lost their pension coverage—even though they may have worked most of their lives to provide a "nest egg" for retirement.

WIDESPREAD UNEMPLOYMENT

Since January 1969 unemployment for persons 45 and older has jumped from 596,000 to 1,017,000, approximately a 71 percent increase.

Once unemployed, the mature worker is more likely to be off the job for comparatively long periods. There are now 224,000 individuals 45 and older who have been unemployed 15 weeks or longer. This represents nearly 33 percent of the total national figure.

And their very long-term joblessness—27 weeks or longer—is even more critical. Approximately 120,000 middle-aged and older workers have now been unemployed for more than 6 months, nearly 43 percent of the total amount.

THE "DROP-OUTS".—Yet, these statistics—depressing as they are—only represent a portion of the overall grim picture. They do not, for example, reflect the labor force "drop-outs," those who have given up the active search for work.

Today, more than 8 million males 45 and older have withdrawn from the work force. Another 20 million women in this age category are also not in the labor force. Assuming that just 30 percent of these men (a conservative estimate) and 10 percent of these mature women wanted and needed jobs, this would mean that the "real" unemployment for persons 45 and older would be approaching 5.4 million—about 500,000 more than the total "statistical" unemployment in the United States now. Moreover, this would represent an unemployment rate in excess of 15 percent for mature workers.

If current labor force participation trends continue, 1 out of every 6 men in the 55 to 59 age category will no longer be in the work force by the time he reaches his 65 birthday. Ten years ago this ratio was only 1 out of 8.

POVERTY ON THE RISE

Unemployment for older workers would be even higher if it were not for the escape through pre-65 Social Security eligibility. In recent years approximately 50 percent of all men claiming Social Security benefits took actuarially reduced amounts at an earlier age. Usually, these early retirees have lower lifetime earnings or more sporadic work patterns in the years preceding their entitlement to Social Security than do those who retire at age 65; they are less likely to be entitled to private pensions.

Increasingly, high level officials in Government and private industry seem to regard earlier and earlier retirement as inevitable or perhaps even desirable. In many cases—particularly for persons in their late fifties or early sixties—early retirement is chosen only as an alternative to long-term joblessness or sporadic underemployment. As a consequence, substantial numbers of these involuntary retirees are accepting the inevitable, a life of poverty.

Nearly 8.5 million persons 45 and older now fall below the poverty line. Even more disturbing, 28,000 in this age category have been added to the poverty rolls since 1968. *For the first time since poverty statistics were tabulated, the number of middle-aged and older persons in poverty has increased.* In the past their poverty numbers have decreased but at a lower percentage level than for younger persons.

In sharp contrast, the number of younger persons living in poverty has declined by about 1.2 million since 1968.

UNDERREPRESENTED IN TRAINING PROGRAMS

Middle-aged older persons continue to be underrepresented in existing manpower and training programs. Less than 10 percent of the Nation's training and retraining efforts has focused upon people 45 and older, in spite of their high percentage of the total long-term unemployed.

NEW HOPE FOR OLDER WORKERS IN THE SEVENTIES

It is increasingly apparent that large numbers of mature workers are without jobs because of circumstances beyond their control. Automation, plant shutdowns and age discrimination in employment have

placed many in a critical situation. Others are unemployed or underemployed because:

- Their skills have been outdistanced by technological advances;
- They are seeking the jobs of a bygone era;
- They live in areas where work is difficult to locate; and
- They lack necessary training to move into more gainful employment.

MIDDLE-AGED AND OLDER WORKERS EMPLOYMENT AMENDMENT

In far too many instances the employment and training needs of mature workers have been overlooked or ignored. Too often they have been left behind by the progress they worked most of their lives to create. However, the new and potentially far-reaching Middle-Aged and Older Worker Employment bill can help to assure that adequate resources are devoted to the unique and growing needs of the older worker.

Among the major provisions:

- Establishment of a midcareer development services program to assist persons 45 and older to find employment by providing training, counseling and other needed services.
- Supportive services for occupational advancement for employed workers who may be in a "deadend" job.
- Training for unemployed individuals to prepare them for needed jobs in the economy.
- Broad authority for the Secretary of Labor to conduct a wide range of research and demonstration programs to focus on the special problems of the mature worker.
- Authorizes the Comptroller General to undertake a study to help increase job opportunities for older persons in the executive branch in part-time employment and job redesign.
- Directs that a special section in the manpower report of the President be devoted to means of maximizing employment opportunities for persons 45 and over in Federally supported manpower programs.
- Directs the Secretary of Labor to designate full-time personnel experienced in manpower problems of middle-aged and older workers to have responsibility for program leadership, development and coordination.

Many older persons stand in need of a flexible and comprehensive employment and training program which is adequately funded and staffed. Within the next 10 years, our Nation will have to train and retrain substantially more people for jobs than we do now, as new opportunities for public service arise and industrial techniques and products change. Ten years from now that pace will be even more accelerated.

The Middle-Aged and Older Workers Employment Act was adopted as an amendment to the Employment and Training Opportunities Act—S. 3867—which passed the Senate on September 17, 1970. This measure was later incorporated in the conference bill on the manpower legislation. However, S. 3867 was vetoed on December 16, 1970. On December 21 the Senate voted 48 to 35 to override the veto, failing by 8 votes to fulfill the two-thirds requirement for overriding the veto.

The Committee strongly urges that a middle-aged and older workers employment act be promptly enacted and fully funded.

AGE DISCRIMINATION IN EMPLOYMENT ACT

Enactment of the Age Discrimination in Employment Act in 1967 led to widespread hope that this measure could help to open the door for new job opportunities formerly barred to older persons. During the December 1969 hearings conducted by the Subcommittee on Employment and Retirement Incomes, legislators and expert witnesses expressed concern about the implementation of the Act.

MORE PERSONNEL NEEDED.—One reason for this concern is that only 15 court proceedings had been instituted under the Act by November 1970.

Enforcement of the law is the responsibility of the Wage and Hour and Public Contracts Divisions in the Department of Labor. In addition, these units implement the Fair Labor Standards Act, the Walsh-Healey Public Contracts Act, the Davis-Bacon Act, and several other related statutes. These divisions employ about 1,000 investigators in the field. But, less than 10 percent of their time is devoted to age discrimination activities.

In recognition of the need for additional personnel, the fiscal 1971 Labor-HEW Appropriations bill provided an additional \$50,000 to hire needed persons to enforce the Act more effectively.

The Committee recommends that this additional funding be used promptly to employ personnel to strengthen enforcement of the age discrimination law. Additionally, the Committee urges that full authorized funding (\$3 million for fiscal 1972) be appropriated to provide for more investigators to discharge functions under the act.

STUDY ON INVOLUNTARY RETIREMENT.—Section 5 of the anti-discrimination law directs the Secretary of Labor to undertake a study of the institutional and other arrangements giving rise to involuntary retirement.

This Congressional mandate has still not been fulfilled, although the Act was passed 3 years ago.

In the Senate Appropriations Committee report on the fiscal 1971 Labor-HEW Appropriations bill, there was strong language that it was the clear intent of Congress that this study be undertaken expeditiously:

The Committee also expects that within the amounts recommended the Department will initiate a study of institutional and other arrangements giving rise to involuntary retirement, as directed by Section 5 of the Age Discrimination in Employment Act.

The Committee urges that this study be undertaken promptly. Moreover, it is recommended that the Secretary of Labor provide periodic progress reports to the Committee concerning the steps taken to meet this clear congressional mandate.

EMPLOYMENT OPPORTUNITIES FOR AGING AMERICANS

“No longer is there any justification for forcing older workers out of the work force, nor is there any justification for dis-

couraging them from supplementing their income by part-time employment. Instead, business and Government should be actively engaged in creating part-time employment opportunities for older persons as a part of efficient production".

—Professor James Schulz, at final Economics of Aging hearing—May 6, 1970.

The Committee on Aging has recommended far-reaching actions intended to increase and protect retirement income.

The fundamental premise of this report is that the Social Security system should be the major vehicle for general improvement.

But the Committee cannot ignore the fact that employment—while it is an important factor in the incomes of relatively few persons past age 65—could be a much more positive factor in the overall economic and psychological well-being of our elders.

OLDER AMERICAN COMMUNITY SERVICE EMPLOYMENT ACT

A few years ago many skeptical individuals doubted that older persons could be attracted to participate in part-time service programs. But a number of successful pilot programs—such as Green Thumb, Green Light, Senior Aides and the Senior Community Service program (See Developments in Aging, 1968 and 1969 for details)—have amply demonstrated:

1. that the programs have been enthusiastically accepted by the elderly participants and by individuals being served, and that
2. communities that have such programs eagerly accept the wealth of skill and talents with which older Americans are so richly endowed.

It has been estimated that 4 to 5 million persons 55 years old and older would be interested in working as part-time community service aides. It has also been said, by many witnesses before this Committee and other Congressional units, that most communities stand in desperate need of the kind of services that could be provided by such individuals. And many elderly participants in service programs have told legislators, with inspiring conviction, that they are happier human beings because they serve others.

In recognition of the vital need for establishing a national program to continue and broaden the excellent work already amply proven on a demonstration basis, 15 Senators joined Senators Kennedy and Williams (N.J.) in March 1970 in sponsoring S. 3604, the Older American Community Service Employment Act. This measure would authorize new opportunities in needed community services for low-income persons 55 and older. In addition, it would provide a basis for converting the existing successful pilot projects into a permanent, ongoing national program.

This Committee renews its recommendation for enactment of legislation establishing an older worker community service program, adding the proviso that earnings from these programs—while essential for the morale of many older Americans—will not serve as a substitute for more far-reaching action which will assure retirement security for all, whether they are participants in such service programs or not.

V. HOUSING COSTS

Millions of older Americans—whether they live in congested cities or sparsely populated rural areas—now find themselves in a “no-man’s land” with regard to housing.

Hundreds of thousands are being driven from their homes because of prohibitive property taxes and maintenance costs. Substantial numbers are being forced to liquidate other assets to pay their taxes.

Yet, it is becoming increasingly difficult to locate suitable alternative quarters at rents they can afford.

RELIEF FOR THE HOMEOWNER AND THE RENTER

Household costs—such as shelter, operating expenditures, furnishings, utilities and repairs—constitute the most costly item for the aged, about 34 percent in the BLS retired couple’s budget.

For most of the elderly, the home is the only major asset and represents a lifetime of savings.

But today large numbers of elderly homeowners find themselves financially paralyzed by rising property taxes. In many communities, taxes have doubled—in some cases even tripled—within the past 10 years.

Quite frequently a badly needed Social Security increase is wiped out within a matter of weeks by a sharp rise in property taxes or rent.

In every region in our Nation older Americans—whether owners or renters—are feeling the pinch of soaring housing costs.

Their problems have now reached emergency proportions and demand immediate and far-reaching attention on all fronts.

PROPERTY TAXES: REGRESSIVE IN THE EXTREME

According to the most recent data available, the average urban household pays about 4 percent of its total income for property taxes.

In our modern urban society, the amount of household income is the major factor in determining the individual’s capacity to pay income taxes. But the property tax—with its roots in an older rural society—focuses on the value of a family’s physical holdings, such as its building and land, to determine ability to pay.

In general, the property tax is regressive in the extreme. As a consequence, older homeowners with markedly reduced income in retirement pay a disproportionately large percentage of their total income for property taxes.

Evidence from one state (Wisconsin) revealed that more than 8,000 aged homeowners living on less than \$1,000 a year paid about 30 percent of their total family income for property taxes. As family income drops, the hardships become even more critical. In that same state, households in abject poverty—with an average total income of about \$300 for the year—were paying 58 percent of this meager amount to the local tax collector.

In recent years—most notably with the enactment of the 1969 Tax Reform Act—several Federal measures have been adopted to provide urgently needed tax relief for low and moderate-income older Americans. Yet, it is estimated that elderly households with family income below \$5,000 pay about \$1.5 billion in local property taxes.

As a result, many older property owners, as well as younger and middle-aged persons, are reluctant to approve new school bond issues, which will inevitably cause a further drain on their limited resources.

In the wealthiest nation in the world—with a gross national product exceeding one trillion dollars—efforts should and can be undertaken to relieve low-income aged homeowners from extraordinary tax burdens. As far as Federal action is concerned, it may be provided directly (in terms of payments to States which provide tax relief for homeowners or renters), or indirectly (i.e., aid to education or other high-cost service needs now paid for largely by the property tax).

THE HOMEOWNER

STATE PROPERTY TAX RELIEF.—To provide some help, 21 States have now provided senior citizen exemptions. In many States the relief is in the form of a reduction in the assessed value of the property. A few States also provide for a tax credit or rebate, usually on their income tax returns.

As a general rule, an elderly property owner must meet three requirements to qualify for this exemption:

- Age;
- Income; and
- File an application.

But the question arises: how often can this device be employed without arousing a negative reaction from other hard-pressed taxpayers?

HOMESTEAD EXEMPTION.—In a number of states, homestead exemptions—a by-product of the depression 40 years ago—are employed to mitigate the property tax bite. Frequently this approach grants relief to all homeowners, regardless of economic need. Moreover, the renter—even though his monthly payments may, in reality, constitute a form of property tax—is totally overlooked.

FEDERAL INCOME TAX RELIEF.—In addition, the Federal tax law allows individuals to deduct real property taxes, provided they itemize their deductions. But for low-income elderly persons, this provides little or no comfort. Frequently their income is so low that the relief passes right over their heads. Generally, most of the benefit accrues to aged property owners in the middle and upper income brackets. To take advantage of this tax savings, an aged homeowner must:

- Have a sufficient amount of income to file a tax return, and
- Elect to itemize his deductions.

According to the latest complete data available, 8.8 million older Americans had a sufficient amount of taxable income to file a Federal income tax return in 1969. For that year, 6.9 million returns were filed by persons 65 and older. Of this total, only 3.3 million returns—less than one-half—itemized their deductions.

THE RENTER

Low-income renters also feel the pinch from extraordinary property tax burdens, since the landlord frequently shifts this burden to the tenant.

In general, renters have been overlooked or ignored in Federal or State relief plans, although the tenant ordinarily absorbs the lion's share of the property tax paid by his landlord. For example, the Federal tax laws provide no relief for taxpayers who rent personal residences. However, a homeowner may properly deduct interest payments and property taxes.

Three States—Wisconsin, Minnesota and Vermont—now recognize the need to extend equivalent relief to the elderly renter as well as the aged homeowner. Wisconsin assumes that 25 percent of the rental payment constitutes, in fact, property taxes, while Minnesota and Vermont use a 20 percent figure.

A NEW APPROACH: S. 4154

In July 1970, Senator Harrison Williams introduced an omnibus Housing for the Elderly Act, S. 4154.

One provision in the bill authorized the establishment of an intergovernmental task force to report on the possibility of providing Federal assistance (1) to states granting property tax relief for elderly homeowners or (2) to overwhelmed aged property owners.

Tax relief from existing state resources for older homeowners and renters does not appear to be economically feasible because most State governments are now financially hard-pressed. Relief at the local level is also unlikely because most municipalities lack legal authority to provide a tax refund or rebate. Moreover, most communities have inadequate resources for such an undertaking.

But unless relief is forthcoming, millions of elderly property owners and tenants will find their meager retirement incomes dwindling further and further.

For these reasons the Committee strongly recommends prompt and favorable action on legislation in the next Congress to establish an intergovernmental task force to report on the feasibility and costs of providing Federal assistance to States granting tax relief for aged homeowners and tenants now confronted with an extraordinary burden. It is further recommended that the task force submit its recommendations by December 31, 1971, because of the exigency of the present situation.

RESCUE OF SECTION 202

At a time when low-cost housing is such a critical problem for practically all Americans, it is usually out of the reach of the elderly. With spiraling property taxes making homeownership a heavy burden, many older persons wish to move to smaller or more convenient quarters. And yet, alternative rental housing is often either nonexistent or beyond their financial means.

However, the section 202 program, first enacted in 1959, has literally been a lifesaver for thousands of older Americans. This program provides long-term, low-interest loans from the Government to non-profit sponsors—such as churches or labor unions—for the construction of pleasant reasonably priced rental units.

During the program's existence, there has never been a failure. As of May 1970, there were 43,000 units either completed or under construc-

tion, 33,000 finished and 10,000 being built. It is estimated that about 45,000 elderly persons occupy the completed units. In addition, 202 has its own architectural criteria specifically tailored for the aged. Regulations for 202 projects, for example, take into account proximity with regard to transportation, health facilities and shopping centers.

In the 1969 Housing Act, the Congress enthusiastically supported the extension of the program by authorizing \$150 million for this purpose.

Yet, in spite of its proven success, no funding was requested for 202 for fiscal 1971.

In July 1970 a last minute bipartisan effort on the Senate floor succeeded in winning approval of \$25 million for the program in the Independent Offices-HUD Appropriations bill. This figure was eventually pared to \$10 million by House and Senate Conferees. However, the first HUD Appropriation measure was vetoed in August.

A second HUD Appropriations bill later passed the House and Senate overwhelmingly. This measure also provided \$10 million for the 202 program.

Three key points have emerged from the legislative history of the bill:

- It is the clear intent of the Congress that the \$10 million appropriated for section 202 be spent.
- Moreover, the Senate Appropriations Committee urged that the \$40.7 million in the 202 revolving fund be used to provide additional rental units for the aged.
- And approximately 10 percent of the funding under the section 236 interest subsidy program should be set aside for the elderly.

The Congress has spoken firmly and clearly that housing for older Americans should receive appropriate attention. Therefore, the Committee strongly urges that the Department of HUD make money available at the earliest date for the 202 program and from its revolving fund to help meet the desperate housing costs that now deplete the fixed incomes of millions of elderly Americans.

THE 1970 HOUSING ACT

Building upon the solid achievements of earlier housing laws, the 1970 Housing Act also added a new dimension to present programs. For many older Americans, these proposals can represent a major breakthrough with potentially far-reaching implications.

Of particular significance is a measure to broaden public housing coverage to include central dining facilities for persons who are unable to prepare their own meals. Equally important, the new law also authorizes funding under the section 236 interest subsidy program for congregate housing for the elderly, displaced and handicapped.

Many older persons must now leave their homes and move into expensive nursing homes—not because they are ill but simply because they are unable to move around well enough to shop for food or cook for themselves. For these individuals, these measures can provide an important alternative to unnecessary institutionalization.

Moreover, the added opportunity to meet and talk with other tenants in a social setting may be of important therapeutic value for lonely and isolated individuals. In addition, many elderly persons—who

might otherwise lack the incentive to cook only for themselves—will be able to obtain low-cost, nutritious meals.

The Committee recommends that the new congregate housing provisions for the elderly under the 1970 Housing Act be fully funded and promptly implemented.

With these innovative approaches, more urgently needed housing can be built for the aged—not merely to “store” them, but to restore them to a more active life in their communities and reduce costs of care that might otherwise be required.

ASSISTANT SECRETARY OF HOUSING FOR ELDERLY

As long as this Nation fails to make the kind of effort needed to deal with present housing inadequacies that affect older Americans, an undue proportion of the fixed incomes of the elderly will be spent on shelter.

As a first step, but certainly not as the total solution, Congress should enact another provision of S. 4154, which calls for an Assistant Secretary of Housing for the Elderly. One of his functions would be to formulate a coherent housing program for aging and aged Americans.

PART TWO
AS VIEWED BY OLDER PEOPLE

The Working Papers and the hearings were not specifically designed to hear from older people on their problems of low income and their suggestions for solution. Yet during the two years a wealth of testimony was gathered from them—the real experts, who know from daily experience what it is like to be old and poor and faced with an outlook of ever bleaker prospects.

For millions of older people, poverty is real—not something that can be talked about in the abstract: “* * * I listened to him 35 minutes and in 35 minutes he used the word ‘poverty’ 35 times. Evidently the gentleman forgot that to us poverty is not a definition what it means to him, poverty—poverty means to us poor and forgotten. We are the forgotten people.”

In the pages that follow, we hear the voices of the elderly. We hear also from their spokesmen who are aware that older people too often feel that they have no right to raise their own voices: “Too proud to beg, too decent to revolt, too timid to demand, they stand and wait and wonder.”

These voices bring a dramatic message. But one witness, when congratulated on his “dramatic and very important message,” replied “It was not dramatic, it was from my heart.”

The following pages are from the heart.

THE OVERALL VIEWS OF SENIOR CITIZENS SUMMARIZED BY A LEADING
GERONTOLOGIST

Wilma Donahue, Cochairman, Institute of Gerontology, University of Michigan and Wayne State University, summarized the views of older citizens in the following testimony (pp. 1041-45):

Mr. Chairman, I shall not, as have the other members on this panel, speak from the point of view of the national Government. Rather, I shall present the views of older citizens themselves. I shall use as one source of data, the results of the senior citizens hearings held during the last few months by the Michigan State Commission on Aging, for which I serve as chairman. A second source is a study of the adequacy of income as perceived by nearly 500 retirees living independently in the Detroit metropolitan area, this study has just been completed at The University of Michigan by Mr. David Peterson who is a staff member of the Institute of Gerontology.

The Michigan Commission on Aging considers one of its most important responsibilities to be that of bringing the economic and other problems of the State's older citizens to the attention of the Governor, the legislature, and to local and

public bodies. It also seeks the inclusion of the older population in such special Federal-State programs as model cities, comprehensive regional health planning, community mental health centers, and low-cost housing. The Commission, likewise presses the voluntary agencies, not only to include, but to give a high priority rating to the need of older people for the important services provided by these organizations.

To insure that its advocacy be based on what older people themselves find to be their major problems, the Commission held senior citizen hearings this year in seven localities ranging from the large urban to the most rural areas of the State. Old people were invited to come and speak for themselves about any problem that concerned them as old people. And they came to every one of the seven hearings, hundreds strong, and many spoke.

In general, all witnesses told the same story, regardless of whether they lived in the big city or rural hamlet. The theme was always the same—"money." They documented again and again what the U.S. Senate Special Committee on Aging—"Task Force on Economics of Aging"—recently reported so brilliantly and forcefully; that is, that their economic situation is the major problem of today's old people and that it is worsening the longer they live.

The witnesses spoke of the constant erosion of their incomes as they were caught in the "squeeze" between rising costs and fixed, low-level incomes. They made clear that Government is failing to take adequate steps to protect their incomes in the face of rising costs. They pointed out the pitifully small social security increases which do not even keep pace with the rising cost-of-living. At every hearing they told us that school taxes are skyrocketing—in some communities having increased as much as 300 to 400 percent in the last 5 years. Homeowners pointed out that homestead tax exemptions allowed older people became outmoded when a new State equalization valuation law caused the reassessment of all homes at 50 percent of today's fair selling price as opposed to the 25 percent previously assessed. The upward assessment disqualified many older homeowners for the exemption with the result that they found themselves faced with several hundred dollars of new taxes while their incomes had not increased by a cent. They asked for more homestead tax relief, and I may add that the Michigan Legislature gave a small measure of it this session.

Among other issues of taxation reported over and over were the insurmountable burdens of the special assessments on homestead property for such items as sewers, sidewalks, water systems, paving and other public works, and the eroding effect of the State sales tax which reduces each of their dollars to 96 cents or even less if they spend, as many must, less than a dollar at a time.

Other economic burdens, from which older people feel they must have relief, reflect the failures of government, business, and voluntary community agencies. The old people

pointed out the limitations of Medicare and Medicaid which exclude costs of drugs, glasses, dental care, hearing aids, and home help to free younger family members for employment. Unless the older person is in poverty or is imminently threatened by it, thus qualifying him for Old Age Assistance or related services, he finds very little help with the cost of these extra health care needs.

In reference to the Old Age Assistance program, the witnesses called attention to the fact that in a State like Michigan, which has a categorical limitation of a \$32.50 monthly allowance for food (an amount that has not been readjusted since 1961), poor old people cannot provide themselves with an adequate diet. Further, they pointed out that the 20 per cent increase in the food allowance made possible by the food stamp program only brings the amount up to a mere \$39. When asked what amount would be an adequate food allowance, the old people requested a modest \$61 or \$62 per month—hardly an amount designed to raid the Treasury. The Food Stamp program, which President Nixon has recommended phasing out in form of equated OAA payments to the poor aged—all States, still leaves unanswered the question of whether the payments will provide an adequate income to meet more than just their most basic needs.

Other retiree consumer problems, reiterated over and over in the testimonies, included the lack of public transportation to shopping centers where prices are lower; the exploitation perpetrated upon the old by unscrupulous entrepreneurs, such as land sales and house repair promoters, auto and health insurance companies, and others. A recent increase in public housing rents was of special concern because many older tenants, who had been just barely managing to meet their financial needs, simply did not have the extra money required to pay the increase. When announcing the increase, the public housing authority commiserated by letter with the elderly tenants and offered to help them secure public assistance—a welfare measure intolerable to many proud old people. And I think one must ask why public tax money out of the pocket labeled welfare is any better a solution or any more acceptable to society as a whole, than if those same tax dollars were used to give more support directly to the public housing projects. The latter method preserves the dignity of the individual citizen, at least, in our society where a major part of homeownership and building involves some form of Government financing.

In most of the testimonies one discerns worry and even fear for the future. The hearings did not give the older people an opportunity to indicate how they as a group perceived their economic status today and in the future, nor did they make possible a quantitative assessment of who or what agencies retirees perceive as responsible for improving the financial condition of the older population. These data have become available for Michigan residents—in any detail for the first time—in the study Mr. Peterson will soon report in the literature.

Using a questionnaire method, Mr. Peterson has learned how a group of retirees, all of whom are still able to cope well enough to remain in the community, perceive their past, present and future financial circumstances. In retrospect, half the group perceived their income before retirement to have been adequate.

TABLE 1.—*Retirees' perceived adequacy of their incomes*
[Percent]

Period	Adequate	Partially adequate	Inadequate
Before retirement.....	51	21	28
Currently.....	30	15	55
5 years from now.....	25	6	69

Currently, however, only 30 percent perceive their income as adequate and 55 percent say that it is inadequate. Five years from now the proportion who expect their incomes to still be adequate to their need drops to 25, while the proportion expecting their financial circumstances to be inadequate rises by 14 points to 69 percent.

If savings as well as income are considered, the picture changes very little. The percentage who perceive their finances as adequate rises from 30 to 35 percent, but the percentage viewing their finances as inadequate remains approximately the same. Peterson reports that "many of the older people commented that if things continue to go the way they have been, they don't know what they'll do * * *. The future looks more and more hopeless."

And this is especially true for groups that have been prone to inadequacy of income at all stages of life, that is, women, blacks, the poorly educated, the nonmarried, and those with low incomes. Eighty percent of the black retirees and 90 percent with the lowest incomes predict that within 5 years their finances will be totally inadequate to meet their needs.

Financial inadequacy in retirement is a bitter pill for the old. Having lived through a period when financial responsibility was a personal virtue of highest merit, they are ill prepared to accept dependency or charity in any form. When Peterson asked from what source retirement income should come, most selected a source "considered to be contributory, that is, sources that provide income because of the efforts of retirees themselves (while they were workers)." Table 2 lists the preferred sources of retirement income for those who can still provide for themselves. Most noteworthy is the fact that 65 percent chose some form of Government program. Only 2 percent suggested employment as a source, and only one person said children should be the source of income for the retired.

TABLE 2.—SOURCES OF INCOME SELECTED BY RETIREES

	Percent
Government:	
Social security-----	45
Guaranteed income-----	11
Grant-----	7
Old age assistance-----	2
Private pensions-----	20
Savings and investments-----	13
Employment-----	2
Retirees' children-----	(*)

*Less than 1 percent.

But none of these sources are providing adequate incomes to the retiree, to say nothing of giving them a share in the continuously increasing affluence of the country. This brings me to a theme which ran like a minor chord throughout the Michigan testimony and was reflected also in the Peterson study. One witness phrased it in these words, "even though old people don't like it, they are nevertheless subject today to society's patronage." He was referring to the fact that retirees are being forced to resort to tactics which are undignified and which make them recipients of either direct or indirect charity.

Their government and other resources having failed them, they have no choice but to seek and accept whatever makeshift ways of increasing their buying power they can scrounge up. Thus, we are fast developing a social system where, if you will declare your age as 60 or more, you can get reduced rates on busses, at the theatre, on drugs; and even some banks excuse the service charges on senior citizens minimum accounts.

I am not saying that such practices are not necessary in the face of the crucial need of the millions of the poor aged to stretch every dollar into two or more. They have no choice but to exploit every possible avenue and every soft heart, if they are going to be able to merely keep alive these next years. My point is that this is a dilemma with which the old of this country should not be faced. The United States is financially able, according to the most competent of economists, to follow a social policy which would insure that every older citizen could live in the same dignity as his younger peers. The relegation of the old to the role of "beggar for financial favors" is incompatible with our stated policy that all our citizens without regard to race, religion, creed, and, I add, or age, shall share proportionally to their needs in the goods and services our country can produce so abundantly.

LIVING ON A RETIREMENT INCOME

Patricia G. Carter, Director, Consumer Information Project, Hudson Guild, in preparation for her testimony, called together 25 member-leaders of the Hudson Guild-Fulton Center, New York City, to talk about "what it is like living on a retirement income in 1969". Here are excerpts from her report (pp. 378-9):

When I received the invitation to testify before this committee, I called together 25 member-leaders of the Hudson Guild-Fulton Center to talk about what it is like living on a retirement income in 1969.

We talked about many things. I only wish that I had had foresight enough to record the meeting so that this committee could hear from them what it is like for hard-working, ordinary people to find themselves suddenly poor.

Besides idleness, which was of great concern and about which we need much more understanding, the biggest problem was money. "How do you manage?" I asked. A lady replied, "It's hard, Pat, oh, it's hard." "Well, what do you do?" "We don't do," someone replied, "That's how we manage!"

"I don't" is a most accurate description of the older adult living in retirement. I don't entertain. I don't go out with friends. I don't eat in restaurants. I don't go to movies. I don't buy new clothes. I don't ride subways and buses. I don't buy cake. I don't eat a lot. I don't take care of my health like I should. I don't, I don't, I don't.

The average income of the members of the Senior Citizens Group is \$100 a month. The first expense is rent, averaging \$55 to \$65 a month. The remaining money covers the remaining necessities. Savings are withdrawn when health problems occur. The rest is hoarded for that big health emergency and death, which looms like a villain before older people. The sharp increase in the cost of living adds more "don't's" to the list. Unfortunately, the "I don't's" mean less medical care and less food.

We talked about how they feel about themselves. "We have no dignity," "We're prisoners of retirement." "We can't be a part of the mainstream of life." "We're forgotten people," were their replies. One man said bitterly, "Tell them at least to raise Social Security up to the poverty level."

The Task Force Report, "Toward a Full Share in Abundance" was hard hitting and matched the faces of the people I know to the statistics. The conditions and the needs have now been documented—now let us move on.

The Hudson Guild's Consumer Education Project has served as a vehicle for developing money-saving programs and for offering information and referral. Our program and others like ours have been working almost desperately to provide relief. But, we have not provided more choices, nor has there been a concentrated, coordinated effort to change the system that perpetuates a deplorable state of poverty. It is not a question of choosing between a new pair of shoes or a new dress—it is a question of choosing between a quart of milk and a bus ride!

Solutions must be found for providing a more adequate income. We must determine who is to decide what a more adequate income is and what standards will be used. I would like to submit for the record, a budget plan form from the Department of Social Services and an economy plan diet developed by the United States Department of Agriculture. Both documents will, I feel, point out the low standards of adequacy we have used in the past.

Housing programs must be a major priority. A retirement budget cannot bear much more than \$65 a month for housing. Older adults can find decent housing at this rental in

public housing, if they are lucky. A Senior Citizens Housing Project was built in our community, housing 96 families; 5,000 people applied for those 96 vacancies. For the majority of older adults rooming houses, hotels and deplorable apartments are all that's available.

Medical needs of the elderly must be a priority. Medicare has provided help for hospital stays, however, spiralling doctor's fees, the deductible, the prevailing fee-plan, uncovered services such as: dental care, regular eye care, regular hearing care and hearing aids, and regular podiatry care have left a large gap in services. When I was discussing medical needs with the group, one man said, "We can't eat, we can't see, we can't hear, we can't walk. We're in sad shape."

All of the above are immediate, critical problems which must be solved now. However, if we are to avoid the same problems with the next generation of retirees, we must make pre-retirement programs a priority. Again, the older people told me that they had no understanding of retirement, they didn't know what they would face financially and physically. Others said they had no time to develop other interests during their working years and now they knew nothing else but work. The physical changes of aging, the financial let-down, and the large amounts of free time have left older people in a pretty depressing state.

"WE DON'T WANT TO BE A BURDEN ON OUR CHILDREN"

This theme was echoed repeatedly by older people struggling to remain independent even at the sacrifice of personal comfort.

One Senior spoke for the members of his club, saying:

We are not beggars, neither do we want to feel that we are a burden on our children. As long as we are able to work, we would like to be engaged in some part-time employment to furnish these extras. Low-cost housing would eliminate the worries of high fuel bills and constant repairs, and our lives would be more carefree and, consequently, longer.

Old age should be more than a period when people decline and die. Life has been hard for many of us. We have made many sacrifices, and yet the margin of saving has been small. Nevertheless, we have made worthwhile contributions to society and we would like to enjoy the remaining short years we have to live. In short, we would like to be happy, but happiness is not something one can buy, it is not something that can be given us. To us for whom life is dear, it cannot be found by making adventurous explorations in space. To the average aged citizen happiness is a state of mind that results from a sense of well-being based on our own independence we can maintain if given an opportunity of part-time employment.

A Cape May, N.J., widow trying to get along on a meager income so that she wouldn't be a burden on her children made these suggestions:

I enjoyed your meeting held with the Senior Citizens. I intended to write sooner but have been ill. There are two things which I think would help us oldsters a lot. I am a widow on Social Security. I receive \$118.90 a month. I receive about \$100 from other securities. My husband was always a high salaried employee and paid high into Social Security. He had to retire at 62 because he became ill and died from cancer.

I am now paying \$20 to \$30 dollars a month for drugs. This has been going on for nearly three years for my own health. Drugs on Medicare would help a lot.

Another help would be if the older people didn't have to pay school taxes. My husband and I have always had our own home and we have helped build so many schools that I think its about time that something is done for us not paying school tax. If I had the money I wouldn't mind, but it is all I can do to obtain my own home and not be a burden on my children.

A great grandmother feels she has lived her life and is willing to do without rather than deprive the younger generation because "they are the hope of our Nation":

I can't help but feel for every age group—and I don't think we ought to get too demanding, that we really don't need a lot of things that the young need.

Supposing today I had six or eight little children and was trying to feed them and clothe them and send them to school, it wouldn't be the same as I have to do alone because I personally would rather have my children and my friends' children and my Nation's children well cared for, as they are the hope of our Nation.

I can conclude therefore, because I have lived my life. It is about over.

"WE FIXED INCOME PEOPLE ARE IN TROUBLE"

Older people who thought they would never be a burden in their retired years are now in serious trouble.

This is the situation as related by a man from Alhambra, Calif.:

I am 76 years old. I retired 10 years ago with my home paid for, and no debts. After ten years my property taxes have doubled. Every service and general living costs have skyrocketed and medical and doctor and hospital costs are as near to robbery as a cost can get: \$600 for removing a cataract from one eye; almost \$400 for the hospital (my wife had the operation). We fixed income people are in trouble.

From Pitman, N.J., comes this commentary from a man who had to retire because of a health problem a few years ago:

There is only my wife and I, and the Social Security pension for both of us amounts to only \$1,920 a year, and from this amount we have to pay real estate taxes—water and gas and electricity—and for fuel oil. After these items have been taken care of we eat from the meager amount remaining.

We cannot afford three full meals each day so manage on one good meal. The prices of meat are outrageous and to have a roast or steak once a week is beyond our reach.

And, from a 76-year-old woman who lives in Swarthmore, Pa.:

I am one of those elderly people, living alone, who has become poor since becoming old. Unable to work any longer, I am trying to get along on my Social Security of \$55 per month income, besides drawing a few dollars from a fast-dwindling nest-egg in the bank and an occasional fee from private French teaching and some baby-sitting, to meet the ever increasing cost of living. I am, however, aware of the fact that some elderly people are worse off than I, and for those, drawing less than \$80 or \$100 a month, the name of Social Security has become a paradox indeed.

A letter to the Bergen County (N.J.) Office on Aging underlined the urgency of the problem:

I am so tired of hearing what you are "going" to do for the senior citizens, the golden agers, et cetera. What you are doing is driving us to the wall. My husband and I have been retired for 14 years. When we retired we had enough for our needs but now our taxes are sky high, over \$800 on a small house in which we lived for 46 years. Food and medicine and meat are out of reason. When we live on what is given you must have so little that you cannot live in the first place on such a sum.

We did all we could not to be a burden on anyone but you will force us on relief. The little social security we have received cannot cover the rising costs of everything. I wish everyone would stop talking about what they are going to do and get busy and do it. By "you" I don't mean you, I mean our country.

THE MIDDLE INCOME AGED ARE ALSO THREATENED

Two retired school teachers stressed the threat of rising taxes on retirement incomes that represent years of self-denial.

Said the retired teacher from Philadelphia, Pennsylvania:

I was disappointed that nothing in any report made was with any concern for the MIDDLE INCOME AGED. I am a teacher, now retired, after 42 years of service, of supporting myself, of being a law-respecting citizen. Now, my income is fixed. I want to go on supporting myself, I want to contribute and be involved with American life, citizenship, with its responsibilities. However, I am worried—TAXES, SUR-TAXES are making terrific inroads on the retirement income, that I have worked for so long, an income that I have because of many years of self denial.

It isn't fair!

I should be able to enjoy the monetary security, that I have worked for, planned for.

I feel that I am one of the workers, who has contributed to this great nation.

Don't destroy me, and my age group—for if it is done, not only I, but the nation suffers.

Her plea was echoed by a friend from Maple Shade, New Jersey:

I, too, am a retired teacher; I have given my life to educate and help build character in young people in an impoverished section of a large city. I feel very strongly the fact that no consideration is given to those of us in the middle income range, who have not received one penny of help in getting our educations—to which I devoted many summers of my life so that I would be better able to serve in my life profession.

Why must our income from retirement be taxed? Why cannot we use our income to sustain a decent standard of living? Why must the specter of a fixed income and constantly spiraling living costs be taxed?

We have given much in the way of heavy tax burdens during our working years. Why cannot we, at least, count on meeting our living costs with an untaxed retirement income, which sadly to say is a fixed income?

WIDOWS ARE ESPECIALLY DISADVANTAGED

The elderly get poorer as they get older and there is a heavy concentration of widows among the very old. The following testimony calls attention to the plight of widows.

Three cases that have received help from a New Jersey Community Center:

Mrs. W receives \$105 from social security. She is aged 77. She pays \$120 per month rent plus \$10 for utilities. She receives Meals on Wheels but she lacks sufficient money for fuel.

Mrs. G is blind in one eye. She receives \$77 from social security. She needs supplementary welfare. She is depressed because she cannot work. She has a retina detachment and she is heavily indebted. She pays \$100 rent.

Mrs. K, aged 80, receives \$109 in social security. She is crippled, she lives alone, she must be transported to the hospital and to shopping. She pays \$90 rent.

And a report from a Senior Citizens Service Corps Aide in Pittsburgh, Pennsylvania:

The AIDES under my supervision have located 39 widows, all between 75 and 80, who must live on incomes of less than \$1,500 a year. Nearly half this group have incomes of less than \$1,000 a year.

I would like to interject here that most of these widows are of foreign extraction. During the life of their husband, the husband worked in the steel mill, they had purchased a home and paid for it. After the husband was pensioned until his death they had a good living. But with his death died the pension and they are struggling, not eating, not buying clothes, trying to pay taxes on these little homes that they have struggled a lifetime to buy.

Every one of the ones that we have documented are in serious need, not only of medical attention, they need food, they

need clothes. Because of the fear of losing this home if they apply for public assistance and a lien is placed against it, they refuse public assistance and continue to go hungry.

“RAISE SOCIAL SECURITY”

When retired persons have an opportunity to speak out on what should be done about their income situation, an increase in social security is always among the suggestions. Here are three brief statements.

Increase in social security, cheaper housing, lower cost in prescriptions.

Let's keep Social Security checks up with inflation. Have Medicare pay dental bills, plus the cost of medicines for Senior Citizens. Get some housing that we can rent, i.e., low cost housing. Seven percent increase in Social Security is too little an increase.

Lower cost prescription. No sales tax on groceries. Raise social security. Glasses and dental care to be included in Medicare. More benefits under Medicare.

THE RETIREMENT TEST

To illustrate the complaints against the retirement test, the following letter from a licensed practical nurse in Hackensack, New Jersey, shows how the Nation loses its badly needed manpower:

MR. SENATOR: I am a Licensed practical nurse, working part time in a local hospital.

I am 67 years old and have been on Social Security for 2 years getting \$113.30 per month.

My problem is—I can only earn \$1,680 each year, but because of a “Nurse shortage” I have already earned $\frac{3}{4}$ of the yearly amount and can only work 20 more days till the amount of \$1,680 is earned.

My health is good and I certainly would be glad to earn more money, and work more at the hospital but if I earn more, I will have to return fifty cents on every dollar I earn over the above amount, to Social Security.

If only we, who can work, be allowed to keep our salary, we would gladly do so. Thank you.

“MEDICARE IS LIKE A LEAKING UMBRELLA”

The following analysis of the shortcomings of Medicare comes from a Senior Citizens club leader in New Jersey:

Yes, Medicare is a wonderful thing but Medicare to us is like a leaking umbrella. You go outside when it is raining and you think you have protection and you open it up and the rain comes right through it.

Now what is wrong with Medicare? Medicare needs a lot of improving. What is it? There are a lot of elderly people who cannot afford to pay the first \$44, they cannot afford to pay the first \$50, they cannot afford to pay one-fifth of the

balance to the doctor. Besides that, when they come out of the hospital and they have to have more medicine, if they are diabetics it is \$17 and \$18 a hundred pills. If they have arthritis, it is \$14.50 for a hundred pills. If they have high blood pressure, it goes up to \$21.

Senator, Medicare is good but it needs a lot of improving. Medicare needs improving. Dentistry, a lot of people say the old people don't need dentistry any more. They got their teeth fixed or they got false teeth for the last 5 years, but don't forget their gums are shrinking and the uppers and the bottoms are falling out and they cannot even enjoy it if somebody wants to make them a present of a piece of steak. I know certain people who never tasted that.

Eyeglasses. Do you know, Senator, what it costs in Bergen County for an elderly person to get a pair of glasses? This is not just talking politics with you, it is the truth, it is fact. The Office on Aging makes surveys on this. It costs \$50 and \$65. Am I right or wrong?

Hearing aids. We have a certain club. That little woman right at the present sitting in front me, you have to write on a blackboard if you want to tell her what Senator Williams did in Washington or anybody else because she cannot hear. What does a hearing aid cost? Two hundred fifty dollars.

Now, ladies and gentlemen, we are here to tell our god-father Senator Williams who has taken so much interest in us that Medicare needs improving. We are paying \$4 a month insurance for Medicare but we have to pay \$72 a year to Blue Cross and Blue Shield subsidy. You know what they give you? If it is in-patient, they don't pay you. If it is outpatient, they give you something. Even if they charge us one dollar a month extra and give us our money's worth, give us eyeglasses, give us dentistry—do you know that elderly people once their feet start aching and they have to go to a doctor it is \$15 just to look at them and put a little powder on them. We are dealing with that.

We don't want to die, it is too expensive to die. Even dying costs you \$1,500 at the present time.

That Federal Civil Service retirees who are not eligible for Part A of Medicare have special difficulty in meeting health costs was pointed out by an officer of the National Association of Retired Civil Employees:

Some of our retired people can no longer afford the cost of medical insurance. I talked recently with a widow who told me, "I got the cost-of-living increase which amounted to barely \$3.00 per month. The next mail I received notice of an increase in premiums for two health insurance policies I have carried for a long time. The total increase was about \$3.16 per month, so I just told them to cancel the policies. Now isn't that awful?"

That is a bad position to be in, but our mail indicates we have others equally as bad. We have numerous letters saying they have three or four prescriptions laying on the table and

no money to pay for the medicine and hardly enough for food. Such conditions do not make sleep come any easier.

But even if protection against health costs were more comprehensive, older people would still have problems in getting the medical care they need.

From Highland Park, Michigan, comes this succinct statement of the need:

Doctor to take care of the whole man. Dentists, teeth, and feet. My big problem is my feet.

MEANINGFUL EMPLOYMENT OPPORTUNITIES

The importance of the Foster Grandparent Program which provides opportunities for older men and women with inadequate incomes to provide individual love and attention to children in institutional settings is illustrated in these words of Foster Grandparents:

My job here means the difference between existing and living.

My children don't have to help me since I'm working on the Foster Grandparent Program, which they did before.

The Foster Grandparent Program has benefited me financially very much, and has helped to maintain my self esteem.

The pay supplements my Social Security check, makes me feel independent.

In very specific terms, this is what the Green Thumb Project means to one worker in Dorothy, New Jersey:

Without the Green Thumb Project, I do not know what we would have done.

It provided money to buy a hot water heater, a new well water pump overhauled, it paid for blankets we needed, and heavy underwear and winter clothes.

We need a Duro Therm heater, a gas range, and a washer.

PRIVATE PENSIONS

Only two examples serve to illustrate the uncertainty of qualifying for a private pension after years of service.

First, from a woman who worked for the same New York department store for 27 years:

I was asked to come down here to give my experience and it is not a case of a small pension but no pension.

I worked in a department store for 27 years and all of a sudden the store decided to close. They had a company pension which requires 25 years of service and you had to be 65 years of age. Unfortunately, I was just a year and 10 months short of 65 and that meant I was not eligible for the pension; I just was not able to receive any.

Now, had that been a union pension, I could have continued for the short time in another store covered by the union pension. Inasmuch as it was a company pension, I was just

out of luck and there was nothing to be done. They gave us a small severance pay and that was all.

Second, from the widow—too young for Social Security—of a man with 25 years of service:

DEAR MR. SCHULZ: I read your article in the Sun Times on February 16, 1970. About how little some people benefit from private pension plans. May I tell you of other ways a person does not benefit by them. My husband worked for Wilson Sporting Goods for 25 years. At the time of his death December 23, 1968, he was 51 years old. He would have been 52 on February 17. I was told that had my husband worked only 18 years but was 55 years old I would be eligible for the widow's pension. This to me is so unfair; a man that worked for 25 years and a good reliable worker at that. His wife is not eligible for none of the benefits but a man that worked 18 years his wife would be eligible, because he was 55 years old at time of death. It does not matter if the woman would be younger than I. My husband and I are the same age. I would like for you to tell this Special Committee about women I should say widows like me. I'm sure there are a lot of them in the same situation as I am. We were married for 25 years. Thank you for reading my problem and I'm sure a lot of other widows, too young for Social Security and husband's not old enough at time of death.

RIISING HOUSING COSTS

A senior citizen of Park Ridge, New Jersey, who is devoting much of his time trying to bring tax relief to older homeowners, provided examples of "a few typical cases":

Mr. E, age 79, and Mrs. E, age 74, their combined total income is \$2,250. It costs them \$120 for prescriptions and other medications, \$395 for their 1969 taxes for an antiquated house over 50 years old, which leaves them \$1,738 for all their living expenses. Incidentally, Mr. E. has been chronically ill for the past 15 years.

Here is Mrs. H, a widow 72 years old. Her total income is \$1,872. Her 1969 tax bill is \$738, an increase of \$196.16 over 1968. Her drug bill is \$52 a year. She lives in a substandard bungalow at least 48 years old. All she has left for food, clothing and the rest of her living expenses is \$1,081.40.

And lastly, Mrs. L, a widow, 81 years old. Her total income is \$1,320. Her 1969 tax bill is \$555.58, which is an increase of \$160.77 over 1968. She, too, lives in a substandard house which is more than 50 years old. All she has left for all living purposes is \$764.42.

The following dialogue details the problem of a 79-year-old widow with very limited income who—because of soaring costs—is now faced with the prospect of losing the home in which she has lived for more than a third of a century.

Q. I will ask Mrs. L. questions beginning with the purchase of a home up to the present time.

Mrs. L., do you mind telling us how old you are?

A. I am 79.

Q. About the year 1935 did you and Mr. L. locate a little two-bedroom bungalow that you wanted to purchase and which was not a new building at the time; in fact, it was about 15 years old? Is this so?

A. That is right.

Q. Now when you purchased this building, how much did you pay for it?

A. \$4,200.

Q. Will you please tell me what the taxes were at that time in 1935 when you purchased it?

A. \$89.

Q. And your taxes remained constant for a period of almost 12 years, there was very little change. During that time did you and Mr. L. speak with each other and assure each other that no matter what happened to either one of you the survivor would always have a home?

A. That is right.

Q. Now in fact, 10 years later, 10 years after you purchased your house, your taxes were still below \$100.

A. Yes.

Q. Then in the late part of the 1940's and going into the 1950's your taxes evidently started to escalate and increase.

A. They did.

Q. Now, Mrs. L., will you tell us what happened in 1956?

A. In 1956 my husband died.

Q. When your husband died you had to supplement your income, is that correct?

A. Yes.

Q. So you got a part-time job. This part-time job required you to work sometimes 1 day a week, sometimes 2 days a week, for which you received a total sum of \$45 per month or \$450 per year, is that correct?

A. Right.

Q. At the time you started this work, how old were you?

A. Sixty-five.

Q. You continued this work, except for the 2 summer months, for a period of 10 years.

A. Yes.

Q. At that time you were 75 years old.

A. Yes.

Q. Then what happened when you were 75 years old?

A. I had to quit.

Q. You could no longer do this work?

A. No.

Q. Now this position that you took, it was about a mile and a half from your house so in all kinds of weather you walked this distance to this job that you had, a distance of about a mile and a half which of course meant that you walked about 3 miles a day, is that correct?

A. Yes, I did that (For 10 years.)

Q. Now, Mrs. L. your taxes kept going up so that in 1968 they were \$554.41 net after you had received \$80 off, is that correct?

A. That is correct.

Q. And your 1969 tax bill has increased \$192.39 and is now \$746.80?

A. Right.

Q. Now you are obliged to every day of your life take medication and the yearly cost of this medication is \$182, is that right?

A. That is right.

Q. Now you are also facing the cost of sewers in front of your house which will be levied at about the sum of \$260, is that right?

A. Yes.

Q. Now that such added to the \$746 will make your combined taxes, including sewer tax, slightly over \$1,000, is that correct?

A. Yes.

Q. And in addition to that you have to pay for this medication at \$182 a year which brings the total amount of expenses to almost \$1,200, is that correct?

A. That is correct?

Q. Now you have a total income of \$1,958, is that correct?

A. Last year.

Q. That is last year's income?

A. Yes.

Q. So if we deduct the amount of expenses that you have to meet, these taxes and medication, all you would have left would be a little less than \$800 to cover all your expenses of food and all other living expenses and so forth keeping body and soul together, is that correct?

A. That is correct.

Q. Now you find that you cannot work any more. If you were facing the fact that you are going to lose your home, you were not going to have this home any more, what effect do you think this would have upon you?

A. I don't know. I would be very much upset. I would not know what to do about it. Of course I have lived there so many years, so many memories, and it is a comfortable place, a very small home and easy to take care of but I would not keep it up if I had to pay the enormous taxes.

Even to those retired on comfortable incomes, soaring property taxes represent a serious threat, writes a resident of Bergenfield, New Jersey:

My wife and I own a modest 6-room house on a 50 x 100 plot. Taxes in 1968 were a shade less than \$700 which was an increase of 12.8% over 1967. In 1969 they are up \$85, an increase of 12.2%.

At this rate, our taxes in 5 years would be up to \$1400; in 10 years to \$2540; in fifteen years to \$4570 and in 20 years to \$8240 which is more than we paid in 1931 for the house.

This is just one item. Food, clothing, medical costs, etc. are rising in similar fashion.

* * * * *

I have worked for one company for 47 years and have a reasonably good pension plus Social Security and some savings. While we're reasonably comfortable now, what do we do if the inflation continues at this rate, or more probably, at an accelerated rate. If we are unfortunate enough to live another 15-20 years will we be forced to sell our home and wind up on relief? This is something I have worked and sacrificed all my life to prevent.

But a widow in Ridgely, New Jersey, points out that rented dwellings are also beyond the financial reach of older people:

I would like to recommend "Rent Control" or "Freezing rents for Senior Citizens."

I am a retired widow, paying 38% of my income for rent and would like very much to support myself independently, and can't find a cheaper rental.

IN CONCLUSION—A CALL TO ACTION

That the problem of economic security in old age is a problem of concern to all generations—the theme of the Committee's two year study—was eloquently stated by a Senior Aide:

The only thing we can ask is that hopefully you and the advisory committee and all of the persons working for our senior citizens are going to feel this way about it—today you are young, tomorrow you will be a senior citizen.

These people that we are working with are people who have given their strength, their wisdom, and their knowledge to help make America great. Now the time has come when the younger generation of which you are a part can put your strength with their wisdom and the desire to keep on living, and believe me America will have an unbeatable team and everything needed for everyone will be included and there will no longer be a generation gap.

PART THREE

AS THE EXPERTS SEE IT

As indicated earlier, the Committee attempted to focus its attention on what might be called the "personal economics of aging."

The major question was: What is the impact of today's retirement income crisis upon individual human beings?

A second, closely related, question was: What is the likelihood of improvement for tomorrow's retirees?

But even "personal economics" must be discussed within a context of complex policy issues.

What appears in this section is a distillation of statements made by men and women who by dint of scholarship, day-to-day experience, and keen observation of social trends—or combinations of such qualifications—have won national standing as experts in the many fields of knowledge tapped for this inquiry.

Some were members of the Task Forces which prepared Working Papers. Some were witnesses at one or more hearings. Dozens more wrote letters in which they reacted to the Working Papers. They have thus provided an invaluable body of fact and opinion which is hopefully reflected in the pages that follow.

I. THE NEED FOR A NATIONAL POLICY AND COMMITMENT

At one hearing after another—regardless of the particular focus—witnesses expressed a plea for a broad national policy, a "commitment" to our elderly population. Some examples follow:

Beverly Diamond, National Consultant on Aging, New York, New York. (p. 1119):

The compelling fact is that we lack an over-all, consistent approach, a comprehensive plan, a national commitment to implement it. We have no established priorities to tackle the most critical needs, no realistic appropriations, no orderly steps to assure effectiveness and continuity.

Instead we have spastic reaction by Government to pressure, piece-meal approaches, too little, reaching too few. These sporadic responses to crisis, at best, result in tokenism, at worst, in waste.

Edwin S. Shelley, President, National Council on the Aging (p. 55):

The final point I should like to emphasize about the task force report is the urgency it reveals for planning and initiating appropriate action to meet both current crises and long-range goals. The National Council on the Aging has felt a growing concern about the proliferation of fragmented programs to meet a national problem of such staggering proportions.

The need, as NCOA sees it, is for a mechanism by which the complexities and interrelations of the problems of aging can be understood, and by which this understanding can be focused on action and utilized by individuals and agencies—public and private—which can or should contribute to the solution of problems of aging in our society.

Honorable Wilbur J. Cohen, Dean, School of Education, University of Michigan (formerly Secretary of HEW) (p. 1781):

However, I should like to point out that after all the years of work on this problem, there are still about 5 million aged persons 65 and over whose total incomes result in their being below the so-called poverty line as established by the Social Security Administration, the Office of Economic Opportunity, and the Bureau of the Budget in their recently reported analysis of poverty in the United States.

Of course, the 5 million aged who are in poverty represent about 25 percent of the roughly 20 million aged who are in the age group 65 and over.

I think it is tragic in the United States that we have this situation. I believe that we have the resources as well as the institutions to overcome that. I believe therefore, that it is important on this 35th anniversary year of social security that we make a commitment both in terms of principle and in terms of public policy, in terms of a statutory commitment that within the next few years we will eradicate poverty among the aged of our country.

I believe that is a goal that can be achieved and I believe it is one that we should dedicate ourselves to at this time.

RESHAPING NATIONAL PRIORITIES

William Kayes, President, New Jersey Council of Senior Citizens, an affiliate of the National Council of Senior Citizens, called for a redirection of national goals, saying (p. 1008):

We therefore call on President Nixon and the U.S. Congress to redirect our national goals so that priority attention can be given to building new homes in America, not destroying them in Vietnam; to removing hunger and want from the face of America and helping to eradicate want in other nations; to insuring every American, young and old, the best education in the world; to improving access for all Americans to the best and most comprehensive health care for all citizens.

Dean Cohen expressed the conviction that our Nation could afford to spend more on domestic problems without impairing our defense situation (p. 756):

I see no reason with an economy that is approaching \$1 trillion a year in gross national product within the next 18 months, why we do not have the resources both to deal with the space program and our domestic problem. I believe that it would be possible to cut at least a billion or \$2 billion out of the defense budget without in any way impairing our defense situation.

I believe it would be possible to raise \$2 or \$3 billion more per year by closing the tax loopholes. I believe that there are other ways in which we could yield the amount of money that we need without really adversely affecting the space program or our defense program and yield the money for domestic purposes.

During this recent inflationary period nobody has talked about an excess profits tax which ought to be considered. No one is really seriously considering the Metcalf bill on the severance tax with all of our resources under the ground being wasted.

You know, I could sit down and outline to you a financial program to raise the revenue for our domestic needs that I think would enable us to have a good, solid defense program and a reasonable space program.

ALLOCATING RESOURCES—OVER TIME AND AMONG GENERATIONS

Essential to the development of a national policy and commitment to the aged is a clear understanding of the method whereby an industrial society shares its economic growth.

The Task Force, in its introduction to the Working Paper on the Economics of Aging: Toward a Full Share in Abundance, posed these questions (p. 183):

Every American—whether poor or rich, black or white, uneducated or college-trained—faces a common aging problem: How can he provide and plan for a retirement period of indeterminate length and uncertain needs? How can he allocate earnings during his working lifetime so that he not only meets current obligations for raising children and contributing to the support of aged parents but has something left over for his own old age?

The economic situation of the aged today speaks ill of the solutions to this problem in the past. But people now old were hampered in their efforts to prepare for their future by two world wars, a major depression and lifetime earnings which were generally low. The important question persists: What are the prospects for the future aged?

As a Nation, what do we intend for ourselves when aged and what for those who are already old? How are older people, now and in the future, to share in our economic abundance?

Nelson H. Cruikshank, President, National Council of Senior Citizens, in his Working Paper on The Stake of Today's Workers in Retirement Security, summarized as follows (pp. 1935-36):

The working population's ability and willingness to support the nonworking population assures that those now working will, in their nonworking years, continue to share in our Nation's productivity.

Young and middle-aged workers don't really like to think about their own old age. But let's face the facts. When today's worker retires some 10, 20, or even 40 years from now, he will not be retiring with a basement crammed full of the food, goods, and services that he will need for the rest of his life.

He, along with everybody else, will continue to get his needed goods and services from the current national production of all goods and services.

And the time has long since gone when the grandparents in each family lived with and were supported by the parents of that family. Support of one generation by another is now provided, not within families, but between one whole generation and another. The generation now in the labor force supports the generation of retirees so that it in turn can be supported in retirement by those then productive. This transfer of incomes between generations is now achieved primarily through governmental and institutional arrangements rather than within family units. Payroll deductions and social insurance are simply the mechanism by which an industrial society implements these transfers.

Juanita M. Kreps (Professor of Economics and Dean, The Women's College, Duke University), a member of the Task Force on The Economics of Aging, developed during the course of the Committee's hearings, the theme of allocation of economic resources over time and between generations. Her statement prepared for the concluding hearings follows (pp. 1924-25):

It is fitting that the Hearings on the economics of aging, held by this Committee during the past year, conclude by reviewing "The Stake of Today's Workers in Retirement Security." For it is today's worker who produces the goods and services allocated to yesterday's worker, just as tomorrow's worker will in turn assume the responsibility for producing the goods and services that support the worker of today. Since we cannot store up goods that are produced now, though we know we will need such goods during fifteen to twenty years of retirement, we accumulate instead deferred claims against goods that will be produced in the future.

Thus, the current worker whose payroll is taxed to finance purchases made by current retirees is the provider in this stage of his life and the recipient in the next, and he is surely plagued with some obvious misgivings: How much of his own present earnings rightfully belong to today's retired worker? How will the amount he pays in OASDHI taxes compare with what he gets back when he retires? Will tomorrow's worker support him adequately? If not, what recourse will he have against the society, once he has ceased to be a productive worker? None of these questions are eased by the constant pressure on the worker's financial resources, which must cover ever-rising living costs, lengthened educational periods for his children, and frequently direct assistance to his own aged parents. Finally, the low-income worker pays a regressive payroll tax which takes a larger percentage of his earnings than those of the high-wage earner, this regressivity being reversed only in part and only after he begins to receive benefits.

There are no simple solutions to the dilemma of today's worker. He could easily consume all his earnings, leaving no claims (either public or private) for future retirement needs. Social policy cannot hope to satisfy all his present and future needs, for they far outstrip his lifetime earnings.

All social policy can do is provide a mechanism that allocates aggregate output in some democratically agreed-to optimal fashion, the optimum allocation in this case having a lifetime as well as a temporary dimension. And just as there are differences of view as to how evenly income should be distributed at any point in time, so, too, men vary in the rates at which they discount the future—that is, in how highly they prize present over future consumption.

What does seem to be widely accepted is the notion of some minimum income for all persons—a minimum that is available irrespective of earnings. Moreover, the minima discussed during the past five years (in particular, the poverty-level indexes) have exceeded the incomes of about half the aged population. There would seem to be general endorsement, therefore, for some redistribution in favor of the elderly. The same agreement applies to low-income persons of other ages, of course. But the particular mechanism we use for allocating income to the aged, i.e., the payroll tax paid into a social security “fund,” directs attention to the tax burden borne by the worker on behalf of the retiree, and points up an apparent source of economic conflict between the two generations.

Viewed in lifetime perspective, this conflict is more apparent than real, of course. Retirement benefits have risen during the decades since they were introduced in this country (and the retirement span has increased), with a resulting repayment in ever-rising dollar benefits for ever-increasing lengths of time. Whether any one worker receives back in benefits as much as he paid in—or whether he receives in benefits as much as he could have gained had he invested his contributions for himself—turns on many variables, and has been the subject of many debates. For purposes of today’s discussion, we should bear in mind the fact that social insurance by intent reapportions income claims, not only from the present to the future, but also from the higher to the lower income recipient. The extent of the latter form of reallocation depends on the extent of progressivity of the tax and the benefit scheme.

With regard to the reallocation of consumption claims from the present into the future, it is well to note that so far we have “reimbursed” retirees with higher benefits than they during their worklives paid to the then retirees. In that sense, each cohort of workers has received in benefits more than it paid in taxes. It follows that any increase in benefits approved for today’s retiree, and paid for by today’s worker, will also be available to that worker when he retires. If wage earners support the elderly in greater comfort today, it is thus very likely that future workers will honor in more generous fashion the budgetary needs of older people in the future.

As to the reallocation of funds from high to low income families, which surely occurs in our social insurance scheme, we have a range of options allowing various degrees of redistribution. For example, to the extent that we continue to rely on the payroll tax, an increase in the earnings base (assuming no offsetting change) will increase the degree of

income shift from high to low incomes. Further, a rise in the minimum benefit will reduce inequality of income among the aged, whereas a percentage increase in benefits will have the opposite effect. As Mr. Cruikshank has indicated, a removal of the retirement test would grant benefits to the working elderly, leaving less funds for the nonworking, whose incomes are lower. Finally, the more we move toward general revenue financing of retirement benefits, the more heavily we redistribute income from high to low levels, the overall federal tax scheme being somewhat progressive and the payroll tax being somewhat regressive.

The questions of temporal and income-level allocation have been the focus of our attention in these hearings. Today's worker has an even bigger stake in the issues than today's retiree, if for no other reason than his longer life expectancy. His family's material well-being, both now and in the future, is significantly affected. It is not surprising, then, that earlier testimony this week underscored the worker's support of better retirement programs, even at some sacrifice in their present consumption. If there is any doubt that social policy in this area properly reflects the preferences of today's worker, surely that policy should be reexamined.

NOT A MATTER OF "EITHER/OR" OR A QUESTION OF "PAYOFFS"

Early in the Committee's study, it was apparent that there was a strong possibility that a dangerous psychology of retrenchment would take hold in programs for the elderly—that the Administration would "realign the priorities" by putting more emphasis on the young and deemphasize spending for the old.

Theodor Schuchat, Retirement Editor of the North American Newspaper Alliance, challenged both the philosophy and the expenditure figures used by Secretary Finch to demonstrate "the relative imbalance", saying (pp. 44-5):

In my opinion, Secretary Finch is as wrong as he can be in this statement, and I recommend that he stop and think before maintaining this erroneous and divisive policy position, if this is indeed what his statement represents.

* * * * *

He does not explain, for instance, that 85 percent of the Federal expenditures for older people currently come from trust funds to which the elderly themselves contributed heavily during their working years.

* * * * *

Next, let us consider why these data come out the way they do, with the Federal Government apparently expending much more for older people than for youngsters. The reason is obvious. The needs of most children for income and health care are met by their parents, and their needs for education are met to a very large extent by local and State governments.

However, the needs of old people for income and health care—to the extent that they cannot be met from their

earnings or their savings or those of their relatives—are met to a very large extent by Federal programs, and remember that the recipients of this aid themselves contributed to the trust funds that provide 85 percent of it, as well as to the trust funds that provide a large part of the aid to children.

* * * * *

Secretary Finch's statement of April 9 adds that: "We do not begrudge our expenditures on the aged; they are a group which needs special help. But the relative lack of emphasis on investment in children seems shortsighted in light of the high social and economic payoffs which such investments can have in terms of helping to produce fully effective members of society."

* * * * *

The Department of Health, Education, and Welfare was not created to attain "high social and economic payoffs." Its programs were established by Congress on the basis of a profound moral obligation to help people, old and young, rich and poor, productive and improvident.

The improvement or expansion of one of its many programs has never been achieved at the expense of another. The Secretary can make quite a good case for Headstart without deprecating social security. If the American people want both, they can and will pay for both. We know we can never have too much health, education or economic security.

And so we expect our Secretary of Health, Education, and Welfare to champion all our needs. We expect him to demonstrate his humanitarian concern for all our people, not the chilling myopia of the cost accountant, who knows the price of everything and the value of nothing.

Solomon Barkin, Professor of Economics, University of Massachusetts, also warned against the "payoffs" type of cost accounting (p. 1418):

The narrow economic cost-benefit analysis which has hitherto prejudiced public action in favor of the young is misleading in determining priorities or the base for action. It reflects the quantification of limited number of cost and benefit variables. A wider range of considerations of social costs and benefits, some of which can only be qualitatively described and appraised would make it evident that the net gains from such productive services to all branches and groups in the society would be highly profitable. Of course, the services would have to be adjusted to the needs of each group. Among the social factors to be considered is the impact of such aids to the aged and older persons are the effects upon the individual, and national, local and family morale of preventing widespread dependence in old age.

COSTING OUT ALTERNATIVES

Several witnesses emphasized that realistic appraisal of the cost of reaching the goal of economic security in old age is an essential prelude to development of a national policy and commitment, for example:

Edwin S. Shelley, President, National Council on the Aging (p. 55):

We suggest that an important next step is to cost out alternative plans for meeting the goals we seek. We can then proceed in orderly fashion to assess priorities, to formulate the legislation, and to propose specific measures to be taken by the private sectors of our economy to make economic security in old age a reality. This is the only basis for that real social security which we set as a national goal some 30 years ago.

Geneva Mathiasen, representing the National Council on the Aging (pp. 90-1);

I should also like to suggest the possibility of costing out some alternatives in improvements in the social security system.

* * * * *

There are all these various proposals to improve Social Security. I have never seen them costed out and presented together so that there is a possibility of rational comparison if, as I assume, we shall have to make some choices for the near foreseeable future.

I think that there is another reason for this costing out bit. It is that we have to get used to big figures. If, as was suggested by Mr. Schuchat this morning, the Secretary of Health, Education, and Welfare is somewhat impressed by the amount of money that is now being spent on social security, I think we ought to tell him how much it would cost to provide an adequate retirement income through social security. As I have said before, I get terribly upset about how much it costs to build a mile of road or a battleship, but many people, including Members of Congress, have been throwing around these big figures for such a long time that they no longer sound formidable.

I don't think we have done the same thing in the area of retirement income—to say this is what we want, and this is how much we are going to have to pay to get it—so that all of us can get accustomed to a new set of big figures. We could then begin to get some concept of the size of the job to be done and some possibility of a rational choice when we have alternatives to choose.

Mrs. Mathiasen, when asked if the costing out on several different bases should be one of the fundamental objectives of the White House Conference, replied:

Well, you know, I have been saying this ever since the White House Conference was first talked about—that is, getting some concept of providing a minimum of income, goods, and services for everybody. Rather than dealing with the problem in little bits that affect a few people here and there, let's put it all together and see what kind of a package we have. I don't think we have any idea. We should probably scare ourselves to death as to the cost of what we would like to see.

Juanita M. Kreps, (pp. 94-5):

Returning to Geneva Mathiasen's statement that she would like to see the various alternative schemes costed out, because only in that way could we establish some order of priority, I would remind you of one of the first statements made this morning: we should try to estimate the costs of achieving the range of goals that we set, and within the budget constraints we have to face, then establish the necessary priorities.

Specifically, it seems to me that we have to push ahead on the question of relating retirement income to the growth of the economy, by suggesting that the committee have some models developed which would indicate the dimensions of such a program. We need a model which would indicate the dimensions of providing retirement income at different income levels, where the initial level is tied to the rate of productivity change or the rise in the wage level. These costs can then be translated into percent of payroll, or aggregate dollar amounts. Further, we should have a model for the private sector, giving some indication of the variables involved in having business firms develop growth-related schemes for retirement income.

In brief, I would like to see us direct our thinking towards the goal of achieving a tie-in of retirement benefits, either public or private, with the growth of the economy.

II. RETIREMENT INCOME

BASIC PUBLIC POLICY ISSUES—A SUMMARY

The Committee's two-year study has provided a wealth of information for use in developing a National policy and commitment with respect to retirement security, just as it has underlined the need for planning and commitment.

The Task Force on the Economics of Aging: Toward a Full Share in Abundance, identified these as the basic public policy questions that cut across the broad issue of economic security (p. 225):

What is an adequate level of income for retired persons? Adequate in relation to the individual's level of living before retirement? Adequate to keep the average older person from want and dependency? Adequate to permit participation in the Nation's rising standard of living?

What part in attaining this level should be played by governmental programs, by voluntary group action and by individual effort? And of the public segment, what share should be financed through payroll taxes and what through general revenues? What level should be provided by governmental programs as a matter of right without a means test?

Is the economic problem of aging a temporary problem that requires a different solution—or a different "mix" of solutions—for today's aged than for those reaching old age in the future?

During the course of the hearings, scores of experts contributed their views for use in answering these questions. The pages that follow pull together these views in relation to specific programs or aspects of the economics of aging. Here is an attempt to summarize, in a few sentences, any consensus of expert views in relation to these basic issues.

First, with respect to an adequate level of income for retired persons, there was widespread agreement that our immediate goal should be to raise incomes above the poverty level so that no older person lives in want and deprivation. Agreement was also widespread that a "bare minimum" is not enough and that the aged should have sufficient income to be able to participate in the Nation's rising standard of living. But there was far less agreement—perhaps reflecting pessimism about our economy's ability to reach this goal, even in the future—about defining adequacy in terms of preretirement levels of living. Our Nation would appear to be willing to accept a decline in the level of living on retirement as the price to be paid for leisure (regardless of whether this leisure is voluntary or mandatory).

Second, even less consensus appeared in relation to the part to be played by governmental programs, by voluntary group action and by individual effort in attaining "this level"—not surprisingly, considering the lack of agreement as to the level. The Federal government, it was generally agreed, has responsibility for providing sufficient income to assure that no one must live in poverty, but a means test (hopefully greatly simplified and without loss of dignity) is an accepted price for this guarantee. Most witnesses agreed that if retirement incomes were to be adequate the public programs must play a far larger role and urged substantial increases in the wage-related benefits paid by the social insurance program as a matter of earned right. And many of these same witnesses urged that the Federal government relieve the burden of regressive payroll taxes by sharing in the costs of the system.

Finally, much of the testimony supported the Task Force's finding that "The facts clearly show that the basic problem of low income in old age is not a transitional problem that, given present trends, will solve itself in the foreseeable future." Here, however, is a major point of dispute: are "present trends", especially with respect to the growth of private pension plans, sufficiently clear to serve as guidelines for the formulation of public policy for the future? The answer to this question can color the response to all of the foregoing questions. Since no firm answer is immediately forthcoming, over-optimism and postponement of coming to grips with this issue could do irreparable damage to the lives of millions of people already old or approaching old age. They can not wait until current facts replace projections on which trends are based.

The bulk of the testimony that follows supports the conclusion of the Task Force that (pp. 227-8):

A reasonable definition of adequacy demands that the aged population, both now and in the future, be *assured* a share in the growth of the economy.

and

Such assurance can *best* be provided, or can *only* be provided, through governmental programs, particularly the

social insurance system of OASDHI, which carry commitments for future older Americans—the workers of today—as well as for this generation of the aged.

POTENTIALS FOR IMPROVING THE ECONOMIC SITUATION OF THE AGED—IN GENERAL

The Task Force, in its Working Paper “The Economics of Aging: Toward a Full Share in Abundance”, identified four major channels through which the low-income problem of older people might be solved (pp. 217–23). These four potentials, as identified by the Task Force, are presented here along with a sentence or two summarizing the expert testimony in relation to each.

PERSONAL SAVINGS

The Task Force analysis included these statements:

First, given the expectation of sustained prosperity, there could be significant changes in personal savings.

and

If past performance is a guide, private savings cannot be expected to contribute significantly to raising the level of income in old age. The earnings levels leave only a small excess of income over consumption expenditures for most families during worklife.

Expert testimony at the hearings provided no cause for greater optimism about the role of private savings in the future.

Robert Tilove of Martin E. Segal Company, an outstanding pension authority, is quoted as an example (p. 330):

The Social Security System (OASDHI) will continue to be the bedrock of security for the aging. For a large proportion of the population, private pension plans will not be significant and, for the past several decades, there has been too much uncertainty, inflation, and ceaseless change for personal savings to be a major source of old-age security.

Nelson Cruikshank, author of the Working Paper on “The Stake of Today’s Workers in Retirement Security”, added a further note of pessimism in asking (p. 1937):

Is there not a fundamental contradiction in our national philosophy when we caution “save and be thrifty” at the same time that billions are devoted to encouraging people to spend? Furthermore, suppose each individual family did try to save enough to provide its own security in the event of any of the risks that might occur—the possibility of the death or disability of the breadwinner or long-term unemployment while the family is still young—as well as for an old age of unpredictable length and uncertain needs. Quite aside from the question of the possibility of accumulating such large and uncertain amounts on an individual basis, what would be the effect on our economy if every family attempted to save on this scale?

The Task Force went on to say:

Even if the retiree of the future has accumulated significantly higher assets, it is likely that a large part of these assets will be in the form of homeownership. It is also probable that—like today's retiree—he will be reluctant to draw on these assets because of uncertainties about the future.

The possibility that homeownership is "more bane than boon" became all too clear when older people testified to soaring real property taxes that must be paid out of fixed incomes. Proposals for relieving the elderly of this tax as well as for converting the home equity to current income appear later under Homeownership Aspects.

The Task Force raised one other possibility in relation to personal savings:

Constant Purchasing Power Bonds merit serious consideration as a potential method of increasing voluntary retirement savings.

Charles C. Fichtner, representing the American Association of Retired Persons and National Retired Teachers Association, urged further study of Constant Purchasing Power Bonds, saying (pp. 88-9):

Such bonds should be an incentive to individual savings for old age.

I am convinced that many of our younger people are not saving for old age today because they see how savers have always lost purchasing power over the last generation in fixed investments such as bonds, savings and loan accounts, and that sort of thing.

The Task Force had posed the question of Constant Purchasing Power Bonds as an investment device for private pension plans as well as for the individual investor.

Willard Solenberger, Assistant Director of the Social Security Department, UAW, spoke to their value in preserving vested pension credits, particularly in the event of terminated plans (p. 1471):

Apart from the issue of control measures, we feel that given the fact of Federal responsibility in this area, to the extent that inflation occurs, it would be appropriate to have hedges against it made available through the Government. The idea of purchasing power bonds, of course, is not a new one. It is one that we have talked about before. Many economists have talked about it. Applying the idea to the private pension field, our proposal is that Federal purchasing power bonds, the value of which would adjust over time with price levels, should be made available as pension fund investments to qualified plans which undertake by formula to adjust pensions on a corresponding basis.

Such an investment medium would be particularly significant in a terminated plan situation where the worth of the fixed-dollar benefits which the plan's assets can provide today may be greatly eroded 15 to 20 years from now when people collect them.

The same type of long-term erosion problem exists in the case of vested pensions under on-going plans. If you vest something a worker has earned a right to in his 30s, what is it going to be worth at 65 unless we can develop some

kind of workable updating mechanism? Although perhaps not the whole answer, purchasing power bonds could well contribute to the solution.

PRIVATE PENSION PLANS

The Task Force raised these questions (p. 221):

What are the possibilities that changes in the existing private pension plan structure could significantly raise retirement incomes in the future? What kinds of change would be needed? What are the potentials for increasing private pension plan coverage and the vesting of benefits through new institutional arrangements—for example, a Federal program of voluntary supplemental group annuities with contributions fully and immediately vested and completely cumulative?

To explore these questions, a working paper on "Pension Aspects of the Economics of Aging: Present and Future Roles of Private Pensions" was prepared by Professor James H. Schulz, a member of the Task Force, and the Committee held a two-day hearing devoted to Pension Aspects (discussed later in detail).

TAX RELIEF, PUBLIC SERVICES AND WELFARE

The Task Force gave only passing mention to various proposals for tax relief, increased public services, and improved welfare payments that might be used to raise the incomes of the aged population, especially those already old, saying (pp. 221-2):

The role of these proposals in improving the income position of older people, now and in the future, is largely dependent on the basic policy decisions that will determine the level of income our Nation intends for its older people and the channels through which they receive this income.

Of these various proposals, the hearings gave special attention to the improvement of welfare payments (discussed later). Attention by the Committee to the problem of Federal income taxes led to a Committee report "Income Tax Overpayments by the Elderly," December 1970.

SOCIAL SECURITY

In its identification of possible means of raising the incomes of the aged, the Task Force concluded (p. 222):

Fourth, the Federal Social Security program (OASDHI) could be the means of improving the income position of the aged population. Without substantial improvements in benefits, however, the existing system will not solve the problem of low income in old age, to say nothing of improving the relative economic status of the retired population.

The Task Force also stated (p. 226):

The existing social insurance system is a fast and effective way to deliver an income assurance that carries commitments for the future as well as for the current generation of the aged.

Throughout the hearings, witnesses too placed emphasis on the use of the Social Security program as the means of sharing the Nation's economic abundance with the aged population (see the section below on Social Security).

EMPLOYMENT

The Task Force did not include employment under its list of potentials for improving the economic situation of the aged.

The Task Force analysis of declining labor force participation rates among older workers led to this conclusion (p. 214):

Hence, realistic assessment of labor force conditions gives little hope that the economy will generate enough job opportunities to solve the income problem of older people, especially the oldest of them, now or in the years ahead. In the Nation's War on Poverty, emphasis has been placed on well-paying jobs as the best path out of poverty. But some other path must be found for the aged population.

A Working Paper prepared by the National Council on the Aging's National Institute of Industrial Gerontology on "Employment Aspects of the Economics of Aging," as well as the hearings, gave support to the Task Force's conclusion that competitive employment was not a realistic solution to the income problems of the aged group. The hearings, however, provided ample evidence of the values—both psychological and financial—derived by older people engaged in meaningful community service opportunities. The discussion below of Employment Aspects encompasses this subject.

A. SOCIAL SECURITY

The Task Force on the Economics of Aging, in concluding that the Social Security system is "a fast and effective way to deliver an income assurance that carries commitments for the future as well as for the current generation of aged," identified the following specific issues (p. 226):

(1) By how much should the general level of cash social security benefits be increased to provide a basic floor of protection?

(2) Should benefits be raised for special groups of beneficiaries, particularly for widows, for those now drawing the minimum benefit, and for those who will become entitled in the future who have had earnings significantly above the present maximum earning base that is credited for benefits?

(3) Should the eligibility age for benefits be lowered? Should benefits payable before age 65 be computed without an actuarial reduction?

(4) Should the test that results in the withholding of benefits because of earnings be liberalized? eliminated?

(5) Should benefit adjustments be made automatically or through legislative amendments? And should adjustment be to a level that merely preserves—or restores—purchasing power, or to a level that provides a share in the Nation's increased productivity?

(6) How appropriate are the available indexes, including the Consumer Price Index, as measures of the need for

adjustment and the amount of adjustment in retirement benefits?

(7) What improvements are needed in Medicare benefits? Should the voluntary medical insurance portion (Part B) be financed—as is the hospital insurance portion (Part A)—through rising earnings of workers rather than through premiums paid by the aged?

(8) What role should general revenues play in the financing of the Social Security system?

Following are quotations from outstanding experts in reaction to each of these issues (except for the one on Medicare which is discussed in detail under the heading “Health Aspects”). Consideration of the specific issues is preceded, however, by examples of the pleas for broad reform—an updating of the system in relation to the economic problems of the aged so that in the 1970’s we do not continue to “march to another drumbeat”.

THE NEED FOR BOLD REFORM

Solomon Barkin, Professor of Economics, University of Massachusetts, (p. 1417):

The basic assumption on which we build our current provisions for the aged is that our social security system prevents poverty and need. We have learned otherwise. Experience indicates that the beneficiaries have also proceeded on this assumption; they have acted on the belief that the benefits would be adequate. Unfortunately, to their misfortune, they have found the pensions to be limited and the restrictions on their further earnings very harsh. The greater number of them are frozen into income levels below those currently defined as necessary to be above poverty. This tendency has been compounded by the provisions and pressures under our private and public pensions systems for early retirement. The lures of receiving benefits and giving up the struggle in the labor market have lead people to choose retirement without full cognizance of the consequences. We are learning that this branch of our social security system as well as others which were conceived during the depression need considerable revamping if they are to serve their original functions. The benefits are insufficient and what is worse they have opened up opportunities for retirement for many who should not have taken this course and have temporarily persuaded the American people that they had taken care of this problem. Unfortunately old age poverty, which our social security system was to answer, remains with us.

Nelson H. Cruikshank, President of the National Council of Senior Citizens, in his Working Paper on “The Stake of Today’s Workers in Retirement Security” (p. 1945):

Our Social Security program, when enacted 35 years ago, was a bold and forward-looking step for a nation acutely suffering from a gigantic depression. But most of the steps to improve the program over the years have been far from bold. These actions—and the 15-percent increase in benefits is the

most recent of a long line of examples—have been aimed primarily at alleviating the all too obvious hardship of a retired population that was struggling to keep abreast of rising price levels.

In combination, these efforts have not attempted to tap the Nation's rising productivity or to keep benefits abreast of our rising standard of living. They have instead perpetuated the depression philosophy which gave birth to our social security program.

Bold new steps are long overdue, steps that would immediately enable today's retirees to share in the abundance they helped to create and that would assure to future retirees—today's workers—an income that is adequate in relation to their standard of living prior to retirement. Such assurances can be provided only through major improvements in our time-tested social security system.

Bernard E. Nash, Executive Director, National Retired Teachers Association and the American Association of Retired Persons (p. 1853):

How has society responded to the economic problems of old age? My answer would be that, as in so many other areas of national concern, we have marched to yesterday's drumbeat in today's changing world.

We passed Medicare legislation to give older people better access to medical service, but we dealt unsuccessfully, at least to date, with the inadequate supply and excessive cost of these services. The result is skyrocketing medical costs and inadequate services.

Not only has significant progress been lacking in Social Security but we have made insufficient progress in the private sector to improve pension systems. Bills in Congress to improve pension systems need action immediately.

Our attempts to deal with the problems of unemployment have resulted in discrimination against older job-seekers, have forced into retirement many who want to continue to work, and have seduced others from the work force with special early retirement benefits whose value falls rapidly with inflation.

A substantial segment of our society is composed of retired people who have no status in a work-oriented world and who were forced to reduce drastically their standards of living upon retirement.

We voice concern about inflation but are reluctant to take the necessary steps to protect retired persons, the single most affected group, from it. For example, Congress has failed to enact legislation to provide for systematic review and increases in social security benefits, to continue to relate benefit levels to cost-of-living rises, usually delaying ad hoc pension-level adjustments for years after inflation has occurred.

Harold L. Sheppard, a member of the Task Force, in his summary remarks at the Concluding Hearings (p. 1919):

After listening to the 2½ hours of discussion, I felt prompted to bring out a statement that relates to this point

about a spokesman of the 1930's still reflecting the fears of the 1930's. It is a springboard for the remarks I did come prepared to present.

It was that since our basic retirement source, social security, is really unemployment insurance with a different name—it was defined for me today as “payments for wage losses” after a certain age—this apparently means we are trapped. We are boxed in by a system based on work. We are witnessing a sort of trained incapacity on the part of spokesmen of the 1930's to conceive of a new system to meet the new problems of the 1970's and the 1980's and 1990's and the 21st century.

A PROPOSAL FOR A DUAL SYSTEM

Joseph A. Pechman, Director of Economics Studies, Brookings Institution, and principal author of “Social Security: Perspectives for Reform” made this proposal (p. 115):

The major reforms we suggest are as follows:

1. All persons over age 65 should be eligible for social security benefits, if not covered by other retirement systems.

2. Widows' benefits should be raised to 100 percent of workers' benefits.

3. The 50 percent bonus of a married couple over a single person should be replaced by a flat dollar amount to reflect variations in living costs between one- and two-person families.

4. The benefits provided for dependents should also be kept in line with the costs of dependents in the family budget. If this revision is made, the ceiling on what a family may receive, irrespective of its size, should be eliminated.

5. Benefits for persons already retired should be adjusted automatically to keep pace with increases in the consumer price index.

6. Benefits payable before the normal retirement age should be confined to those who are incapable of working, as evidenced by illness, disability, or protracted unemployment.

7. The maximum earnings level for computation of benefits—now at \$7,800—happens to have been fairly close to the median family income when it was adopted. This maximum should be raised automatically in line with increases in the general price level, but by no more.

8. Most important, the minimum benefit should be raised substantially. At a time when the poverty line for a single person is over \$130 a month, it is unconscionable that some of our aged citizens must get along on the current social security minimum of \$55 a month.

For the long run, we recommend a dual system of benefits to implement the two major objectives of the social security system—prevention of destitution among the aged poor and, for those with adequate incomes before retirement, benefits that are related to their previous standard of living.

The latter function should be performed by a strictly wage-related benefit, with the replacement rate roughly the

same at all earnings levels between subsistence and the median earnings level. The income support function should be transferred to a negative income tax system or to a comprehensively reformed system of public assistance.

The negative income tax we propose is similar to those that have been discussed in the literature in recent years, and there is no need to describe it in detail. The advantage of this approach is that the negative income tax payment is reduced—and ultimately disappears—as total income—including the wage-related benefit—increases.

This dual system would be much more efficient and flexible than the present system. Either part of the system could be altered independently of the other. At present, any effort to improve social security with respect to the income support function typically requires substantial improvements with respect to the earnings replacement function.

Nelson H. Cruikshank, when asked for his reaction to the Pechman proposal for a negative income tax directed at the prevention of destitution coupled with a social security program providing benefits strictly related to former earnings, replied (pp. 1772-73):

Well, the whole concept of a kind of two-level approach to social security is one that theoretically at least is acceptable to us. They are approaching this in Canada, for example, a kind of two-level, a basic benefit of a flat amount for which everybody is eligible at a given age and then a social insurance system on top of it.

I have no theoretical objection to such an approach. I do think some of Mr. Pechman's thoughts and suggestions, while they are theoretically sound, depart from a system which is pretty widely accepted and which is pretty well built into our whole way of life here. I think the negative income tax approach is one useful approach to providing security for everybody and avoiding dependence if we could tie that to our present social security system.

I don't see any basic objection but I think we would have some difficulties in reeducating people about the approach.

Now, as a matter of fact, you are coming to this concept. To some extent if we adopt the family assistance plan that has been proposed by the Administration, while it apparently has some structural faults in its present form, the basic idea of a uniform amount available based on presumptive need for everybody is certainly a move in that direction.

If we can hold to the sound social insurance principles as a kind of a supplement to that, all right.

I think we are moving in that direction, but whether we will do it by just adopting a negative income tax as such, to my mind is questionable.

REFORM OF THE EXISTING SYSTEM

Most witnesses who called for reform of Social Security urged changes within the framework of the present system, rather than drastic revision of the character of the system which, over more than 35 years, has earned widespread endorsement by the American people.

It is to their recommendations for change that the following pages are directed. Certain recommendations—for example, a widow's benefit equal to the primary benefit and removal of the inequity in the computation of early retirement benefits for men—were so universally supported as badly needed changes of a "patchwork" type, that they are not discussed in detail. Instead, attention is concentrated on four areas: (1) the benefit level and the minimum benefit (including related considerations of the wage base); (2) adjustment methods; (3) the retirement test; and (4) financing. Since it is obviously impossible to include the views of all the witnesses who addressed themselves to these areas, the selection has attempted to span the range of testimony.

THE BENEFIT LEVEL AND THE MINIMUM BENEFIT

At the lower extreme, it was proposed by the Administration that benefits, including the minimum, be raised by the 5% provided in the House-passed bill. At the upper, that benefits represent 50 percent of preretirement earnings with a minimum of at least \$120 per month for beneficiaries with substantial work records.

Bernard E. Nash, Executive Director, American Association of Retired Persons and National Retired Teachers Association (pp. 1860-61):

Mr. Chairman, we must establish a realistic retirement income floor as a part of the social security system, a floor related to earnings and growing as the economy and general standard of living grows.

We therefore propose that as part of the social security program a basic floor of retirement income protection be established for each eligible worker at 50 percent of average family preretirement earnings during the later years of life.

Now, "family preretirement" is an important term. Where two people are contributing to it, they are also contributing to the standard of living in that household, and this should also be taken into consideration for their retirement.

In addition, we propose that this benefit level be supplemented by a spouse benefit based upon a realistic determination of the additional living costs incurred by a two-person family.

We have chosen 50 percent because it has been commonly quoted as a desirable basic or minimum rate of earnings replacement. In 1967, for example, the Committee on Ways and Means cited this figure as a "reasonable relationship between former wages and benefits." We feel that it is a realistic minimum of retirement income for all Americans—upon which private pensions and personal savings of individuals could build in accordance with personal preferences.

Of course, any benefit which is 50 percent of very low earnings is not going to be adequate by poverty standards. Therefore, we propose that the social security minimum benefit should be at least \$120 per month for persons with substantial work histories.

Now, again, that is important, Senator, because we feel that the work history of the person at the lower end of the scale, it is difficult to determine whether or not they are re-

cent retirees who have come out of some other retirement system and then come into the social security system to earn that as additional retirement as opposed to those who have had a lifetime or substantial work history at lower incomes and have not been able to build up. These people certainly would have the greatest need.

This figure corresponds to the minimum benefit proposed under the Williams-Gilbert bill and is \$59 more than the minimum benefit originally proposed by the Administration.

And we again recommend, as we have in the past, that all social security benefits should be automatically increased—at a minimum—to keep pace with the changing cost of living.

Finally, we believe that a ceiling should be maintained on the maximum amount of social security benefits which can be received. However, we also recommend that the average annual earnings to be counted for contribution and benefit purposes be set at a relatively high level and adjusted automatically thereafter. For example, we note that the Williams-Gilbert omnibus proposal recommends a taxable wage base of \$9,000 for 1970-71. Under our plan this would mean a maximum benefit of \$4,500.

In simple terms, this then, is our proposal for social security reform:

A "50 percent of creditable earnings" benefit level with improved minimum and maximum benefit levels.

Charles I. Schottland, Dean, Florence Heller Graduate School for Advanced Studies in Social Welfare, Brandeis University (formerly Commissioner of Social Security) (pp. 99-100):

My recommendations fall into several categories. First, we must provide a substantial increase in the benefits to the aged under our social security program. Social security benefits constitute today the major source of income for most older persons.

Therefore, any program to increase the income of such older persons must involve major benefit increases in benefits under OASDHI. A person receiving \$80 a month at the present time, for example, is not going to be helped very much if we give him a 7-percent increase, thereby bringing his \$80 a month to \$85.60. I recommend that starting immediately Congress raise the minimum benefit to \$100.

I believe, also, that we must maintain the wage-related benefit structure. And if we are to do so, we cannot have too small a spread between the minimum and the maximum. I, therefore, would urge as a second recommendation, the increase in the earnings base to \$18,000. This will enable us to increase the maximum benefit and at the same time strengthen the financing of the social security program.

A third recommendation would be to increase benefits generally by 50 percent. By adopting this as a principle, it does not mean that every benefit should be increased by 50 percent, and I am not prepared at this time to make the specific recommendations as to how this might be distributed among family benefits, widows benefits, etc., but I believe

that it is not too much to consider a 50-percent increase as a general goal.

Another recommendation that I would like to make is that we change the method of computing benefits so that they are more closely related to the earnings lost when the worker retires.

If the goal of social security is to replace lost earnings, it does not seem sensible to base benefits upon the lifetime average earnings as is now the case because a person may find his average life earnings has little relationship to the earnings that he has just lost by virtue of retirement.

I would recommend, therefore, that we consider basing social security benefits on the high 5 years of earnings for those persons who have long employment. Our objectives should be to give the long-term worker higher benefits than the person with short-term attachment to the covered labor force.

Nelson H. Cruikshank, President, National Council of Senior Citizens and author of the Working Paper "The Stake of Today's Workers in Retirement Security (p. 1760):

So at this juncture, Mr. Chairman and members of the committee, we need to reexamine the concepts, the ideas that we have had about social security, this whole question of the basic floor, the extent to which we now know as a practical matter that the main reliance on economic security in this country for the elderly as well as for the working people is on the public system. We need to examine its adequacy and we need to take a whole new fresh look at it from the worker's point of view, from the retiree's point of view, from the point of view of those who are depending on this while they are working for the years that are ahead.

Our contention is that you can't do this by little tinkering here and there, little increases of 4, 10, 15 percent, but that you need a bold new imaginative approach to the concept of social security.

We are glad to note that there are some bills in Congress such as the Gilbert-Williams bill which approach it in this manner. Mr. Chairman, your bill is summarized in my working paper noting that it provides a 50-percent increase in benefits. We are grateful for the 15 percent you have already passed, but we just consider that a down payment toward an adequate system.

Mr. Cruikshank in answer to the question. "What dangers do you see for today's retirees and today's workers if we continue to focus only on establishment of a minimum floor of protection?" (pp. 1770-71):

Well, a minimum floor of protection means that they are condemned to this kind of subsistence level and the floor of protection as a minimum floor of protection may just keep them from going on public welfare or something but deprives them of any opportunity of sharing the standard of living that we associate with an American standard of living.

Now much has been said about this floor of protection. I have subscribed to it at times in the past, but the whole idea is where are you going to establish that floor of protection? You talked about the minimum floor of protection as being something just enough to keep people off of public welfare. If you have that, what you have really done is to shift the burden of this kind of economic security, if it can be called that, from the general tax level to a payroll tax supported system.

When you go to a payroll tax supported system and people are willing, as my colleagues here have indicated they are willing, to support that by the workers' share, it should not be held to something that just transfers the potential welfare person from a progressive tax that supports the welfare system to a payroll tax which is essentially a regressive tax.

If the people are willing to provide a social insurance system and to meet their share of the economic burden of this, they should be permitted to support a system that is not just a minimum but something which enables them to live a full useful enjoyable satisfying level of life. You cannot do this just on the minimum.

What is a minimum? What is a minimum? I heard the end of last week in New York for example, that in the great State of New York the welfare people who set budgets for welfare had decreed that when they make these budgets essentials to living have to be determined. And it has been decreed by the great State of New York that a telephone is not essential. What does this mean for millions of people living alone in rooming houses, stashed away in tenements, cut off really from communication often with relatives, with friends or with their doctor or emergency services?

Now some might say you can subsist without a telephone, and probably you can, but it certainly is not living. We say if you are going to have a floor of protection there ought to be a Bigelow carpet on the floor. Let's get it up somewhere, where the basic protection approaches adequacy, and adequacy means a meaningful useful enjoyable life where the older person has a share in the amenities of life which we associate with an American standard of living.

Honorable Wilbur J. Cohen, Dean, School of Education, University of Michigan (formerly Secretary of Health, Education, and Welfare) (pp. 1781-82):

First, in connection with social security, when I left office I did make a recommendation to my successor and to the Congress that at that time we should make as a goal in relation of prices and wages as of that time an increase in social security of 50 percent above the level that existed at that time.

We have already enacted a 15 percent increase and I believe that as Mr. Cruikshank said, that is a good down payment on the objective and we have about 35 percent yet to go. I believe that that 35 percent could be achieved in the next 4 years and I believe it is a reasonable goal for the Congress to dedicate itself to at this time.

Now, I believe that in the legislation that is being considered over on the House Ways and Means Committee, which will come to the floor of the House and then to the Senate, that there ought to be improvements in social security this year equivalent to at least 15 percent, that is another 15 percent increase.

I do not necessarily believe that this should be all across the board as was in the last increase because there are some specific changes that are necessary in order to eradicate or eliminate inequities and special problems. I would favor at least a 5 or 7½ percent increase across the board to everyone recognizing the kinds of price changes that are occurring but then the remaining amount should be allocated to a specific series of changes, some of which President Nixon has already recommended, such as increasing the widows benefit from the present 82½ percent to an amount equal to the husband's benefit. Widows are one of the group which have the lowest income and the highest rate of poverty and I believe there is a special need to consider further improvements in the widow's benefit.

Second, there should be an age 62 computation for benefits for both men and women which would substantially increase benefits for millions of persons at the present time. I wholeheartedly support that recommendation.

Third, I believe that the computation of the average wage in social security needs modification. At the present time the average wage upon which benefits are computed is to utilize wages beginning on January 1, 1951, up until the time of retirement except that 5 years of the lowest or no earnings may be dropped. That means that within the next year or two 20 years will have passed and if 5 years are dropped out that will mean that individuals will have their wages for benefit purposes computed on 15 years.

The early time of that period in the early 1950's represents a low period of earnings compared to now and I believe it would be proper to drop out additional years so that individuals would have their average wages computed on a more representative and somewhat higher period.

As you know, the Congress in recent changes in the civil service retirement program modified the best 5-year arrangement to go to the best 3 years and I believe that in general the principle of using a short but more recent period is desirable and I favor our ultimately going on the basis of the best 5 or the best 10 years of earnings, rather than the so-called life-time earnings with the 5-year dropout.

But if that costs too much money, I would certainly suggest dropping out an additional year for each 10 years of service so that individuals would, let's say, have 6 or 7 or 8 and ultimately 10 years of dropout rather than the present situation which would only mean that after 20 or 30 or 40 years the individual would only have 5 years of dropout.

That would certainly have a substantial result in improving the benefit level.

Alvin David, Assistant Commissioner, Social Security Administration, on the adequacy of a 5-percent increase (p. 1880):

Mr. Chairman, you will recall that the President recommended last year a 10 percent increase in the social security payments at that time. What he had in mind, and what he said he was planning there, was that having just established under the statute a Social Security Advisory Council, which was due to report to him and to the Congress the end of 1970, he thought he should not make any fundamental proposals for change in the social security system pending the work and consideration by that advisory council. Therefore he proposed last year an emergency kind of thing to take care of the immediate situation growing out of the fact that the costs of living had been increasing rather markedly.

In line with that increase, and with the increases that he expected to occur—that might reasonably be expected to occur later in the year—he proposed a 10 percent increase in social security last year.

Instead of that, the Congress, as you know, enacted a 15 percent increase effective for the month of January 1970. The checks went out April 3 with a retroactive payment back to January.

So I think that the President's position would be that since the Congress did a little bit more than he had proposed, he would still want to wait for the advisory council to report before making any judgment or comment as to whether 5 percent is the correct amount now.¹

Mr. David, in commenting on the benefits of regularly employed workers, (p. 1890):

Without attempting to judge whether the level of social security benefits on the whole should or shouldn't be raised, but leaving that aside as something that the advisory council is studying, I should point out that the situation as it stands now is not quite as dark as it may seem from the questions and figures that we have before us.

At the present time, the benefits under social security for a person who has been regularly working in covered employment are, even for a single person, above the poverty line, and for a couple considerably above the poverty line; this is true even for a person who has been regularly in covered employment at a very low wage, such as the wage of the Federal minimum hourly wage at the present time.

The benefits that would be paid to such a single person would be almost \$140 a month.

The reason that we have an average benefit that is considerably below that figure for a single person is that it is relatively easy to become eligible for social security benefits. In other words, a person can become eligible for benefits with earnings of \$50 a quarter in only 1 calendar quarter out of every four elapsed after 1950.

Harold L. Sheppard, a member of the Task Force, questioned whether Mr. David might not be overly-optimistic about the few regular

¹ John B. Martin, Special Consultant to the President for the Aging, agreed that Mr. David's statement "is essentially a correct statement of the President's position."

workers who would qualify for benefits no higher than the poverty level, saying (p. 1921):

And in connection with that point, I wanted to ask Mr. David the implications of the fact that roughly one-third of the total population of men 16 and over, at least as of 3 years ago, that one-third of them did not work as much as 40 weeks or more full-time.

Let me put it another way. Only two-thirds of the total male population, 16 and over, worked 40 or more weeks full-time in 1967. This, I think, bears on one of his points, that if a man works full-time even at minimum wages, he can expect to get a social security income that will keep him above the poverty line. But that is a big iffy statement, because at least as of 1967, only two-thirds worked as long as 40 weeks and on a full-time basis.

What we need are some lifetime working figures here, by the way, and not just this 1-year shot. Very few people do any studies at all on what percentage of workers actually work over their lifetime on a full-time basis, at least on a 40-48 weeks-a-year basis. It is a very low percentage.

This affects, therefore, the expected social security income—I think this is a critical point that ought to be looked into.

Tax Foundation, Inc., unable to be represented at the hearings, submitted a report "The Future Role of Social Security," excerpted here in relation to the benefit level (pp. 1953-70):

It may be said, insofar as the moderates' viewpoint is concerned, that a governmental program of retirement benefits should provide only a certain level of benefits, available to the vast majority of people who retire from gainful employment. Such level of benefits should be sufficient so that, with real estate and other assets normally accumulated, the vast majority of beneficiaries will be able to have at least a reasonable subsistence.

This, of course, is still not a precise mathematical formula for measuring whether a floor of protection is being provided—and such is not really ever possible. A good, although rough, indicator is the proportion of persons receiving social insurance benefits who require supplementation through public assistance payments. Many persons believe that if less than 10 percent of social security beneficiaries fall in such category, the level of benefits is adequate and that this is a reasonably good yardstick of the adequacy of social security benefits. At present, this ratio is only about 7 percent, so that, even if we recognize that public assistance programs in some states may be somewhat inadequate, the test is readily met.

The position of the moderates is that, if a small minority have needs beyond the protection provided by social insurance, the solution is not to raise social security benefit levels, but rather to have adequate supplementary public assistance. This is especially so when a substantial proportion of the minority involved is of a transitional nature, such as cohorts

who were not covered under the social security program during their working lives, or who were not covered as extensively under private pension plans as is the case for current workers, or who were adversely affected by the depression of the 1930s and could not as readily accumulate individual resources as could individuals who began their working careers in the 1940s and later. Of course, there will always be a small residual of persons who have only sporadic employment during their working lives or who have unusual needs, and in these cases public assistance will be necessary.

ADJUSTMENT METHODS

Witnesses agreed widely that social security benefits should be adjusted automatically in order to prevent a serious loss in value during the lag before Congressional action on the problem. There was less widespread agreement on these related issues; however: should automatic adjustment be postponed until after benefits had been raised to more nearly adequate levels? is the Consumer Price Index the appropriate yardstick for use in the adjustment? and should further adjustment be made—and, if so, by what methods—to take account of rising productivity and standards of living? The excerpts that follow deal with these issues.

Dean Wilbur Cohen (p. 1784):

I do not favor at this time increases in the benefits automatically by cost of living. That has been recommended many times and there are many bills in Congress on that. I do not favor that kind of legislation because it tends to foster an attitude that the benefits are now adequate or appropriate and that all that is needed is to adjust them to cost of living.

I believe that that would be a very misguided and a very backward step because what we need to do is first to bring the level of benefits up to some level of adequacy and then I believe that the aged should share not merely in the price increases that occur but in the productivity of the Nation as expressed by earnings and not merely by prices.

I, therefore, believe that when you are talking, as we did earlier, about a bold, new innovative approach, the most outworn and inadequate and incomplete and backward type of approach is to just adjust benefits to the cost of living. We need a concept that the aged, the blind, the disabled, the poor shall share in the total resources of this Nation and as our productivity increases they share likewise in it and not be cut out of it.

I look upon that in the same way as an earner or as a parent. When my wages were increased I didn't say, "Now, my wife won't share in them and my children won't share in them because I was the worker, they are the dependents."

Naturally, I looked at it in terms of sharing this increased earnings and my productivity or the productivity of the Nation with my unit, the family.

Mr. ORIOL. Automatic increases. Dean Cohen, you don't rule out automatic adjustments? You say at first we should raise the general level, especially minimum, to a more rea-

sonable level and then perhaps have an automatic adjustment mechanism on productivity?

Mr. COHEN. Yes, based on earnings rather than on prices. In other words, I do not believe that prices are the measure increasing level of productivity. It may well be that you have to give some weight to price changes from time to time. Quite frankly, at the present time. I would do what Congress had done so far on an ad hoc basis, take a look at what happened, change them in relation to prices and then add a productivity increase.

Until we have a better measure of the adequacy of the program, I would defer any automatic increase solely in relation to prices.

Nelson H. Cruikshank (p. 1777):

In the short summary of the Gilbert-Williams bill, appearing on page 11 of my working paper, I mentioned, as you indicate, the proposal for automatic increases in benefits geared to increases in living costs. There are other provisions in this bill which further support this proposal and which tend to tie the benefits to the *standard* of living rather than just the cost of living. These are the automatic increase in the wage base and the provision for basing the average wage on which benefits are calculated on the high ten years of earnings. All of these proposals would go into effect after the basic improvements in benefits are enacted. In short, we do not believe simply providing for increases in benefits commensurate with increases in cost of living are enough at this time. We should first substantially improve the benefit structure, then make changes to keep that structure in line with increased costs of living and with the constantly improving standard of living in America.

Harold L. Sheppard (p. 94):

I don't want to be scared away from the idea of automatic cost-of-living increases. I believe if we can get that passed, we then can get on to the battle of adequacy of retirement income, and using these various programs to guarantee a sharing of abundance in the American productive economy.

Robert Tilove (p. 330):

Benefits should be subject to automatic adjustment to the cost of living. Social Security beneficiaries should not suffer reduction of their purchasing power, even temporarily; control of potential inflation should be found elsewhere than in the already-meagre resources of the aging. Automatic adjustment would not remove incentive for further improvements in the Social Security program; rather, attention would focus those changes in the program which would go beyond a simple adjustment to consumer price increases.

Roger F. Murray, Teachers Insurance and Annuity Association of America, College Retirement Equities Fund (p. 321):

In light of these considerations, it seems highly undesirable to relate social security benefits by formula to changes in the Consumer Price Index, which was never constructed to

deal with the problem of measuring the real living standards of retired individuals and family units. Periodic careful reviews of payroll tax rates, covered wages, and benefit levels, integrated with provisions made for medical care, are required to make adjustments to the realities of the living standards of the elderly. Concurrently, it is essential that the fiscal effects of changes be considered in relation to other aspects of tax policy.

THE RETIREMENT TEST

Without doubt, the issue of the test that limits the amount beneficiaries may earn without loss of benefits generated the greatest controversy among witnesses. In summary, witnesses whose primary concern is to maximize job opportunities for older people advocated complete elimination of the retirement test; those concerned primarily with optimum use of social security funds advocated retention of the test, with improvements. Spokesmen for each of these two views are quoted here (and the fact that more space may have been allotted to those who favor retention of the test reflects the complexity of the reasons for the test rather than the numbers of witnesses advocating retention), along with an innovative proposal for a change in the nature of the test.

FAVORING RETENTION OF THE TEST.—Spokesmen favoring retention of the retirement test used the following arguments.

Dean Wilbur J. Cohen (pp. 1782-83):

Now we come to the matter of the retirement test which has been one of the most misunderstood and most controversial issues in social security. I certainly want to say that I commend the committee for the publication of Mr. Cruikshank's very excellent memorandum which is in the back of your committee print report today called "The Retirement Test in Social Security." I am hopeful that more and more people will read that and I wish to say that I subscribe wholeheartedly to the factual analysis, to the observations, to the conclusions that Mr. Cruikshank has made.

He points out, as you know, in that study that to completely eliminate the retirement test which many people advocate would cost about two-thirds of a percent of taxable payroll and add about \$2½ billion of cost onto the system giving it to the 10 percent of the beneficiaries who need the increased benefit the least as compared, let's say, with widows and other groups with special needs which he identifies in his document.

I do recognize that among many members of Congress and many members of the public generally, they believe that the retirement test ought to be eliminated completely. That is a very widespread point of view that is fostered by newspapers and magazines which erroneously assume that people who are now retiring have completely paid for their social security.

That is not true. For large groups of individuals have only paid 10 or 15 percent for the total cost of their benefits, assuming an average life expectancy. Therefore it cannot be argued that they ought to get their benefits at age 65

because "they have paid for them" meaning they have paid entirely for them. They have only paid a part of the cost and they have not paid the cost that would involve the extra two-thirds of a percent of payroll which has not been a part of the system which would be necessary if the retirement test were completely eliminated.

Mr. Cruikshank has also identified other factors in this connection, including the fact that only about 1½ million individuals would receive substantially higher benefits while some 16 million would not receive any increase by virtue of the repeal of the retirement test.

I believe therefore, that this document is a very important one. The matter will again come up in social security as it does every time about modification of the retirement test. I wholeheartedly support the recommendation that the retirement test should be liberalized to go to approximately \$2,000 and the offset provision of 50 cents or against each dollar of earnings should be provided all the way up on earnings.

There may even be other desirable changes in the retirement test. I would favor at some time reducing the age of 72 at which the annuity is payable to possibly age 70. But to reduce it to 65 now and add several billion dollars more onto the social security system when we have such substantial unmet needs in other areas, does not seem to me to be wise at this time.

Whether it would be desirable to do so 10 or 20 or 30 years from now I think that is a matter for Congress to decide in terms of allocation of resources at that time.

Nelson H. Cruikshank, in his working paper on "The Stake of Today's Workers in Retirement Security," (p. 1942):

Workers should not be expected to pay higher social security taxes in order to provide full social security benefits for those aged people who are able to continue to engage in fulltime employment.

Our social security program was never intended to be an annuity program that would reward people simply for attaining a given age. It was designed to insure workers and their families against the risk of a loss of earnings arising from retirement from work (either compulsory or voluntary) in old age or from disability or death. Appropriately then, the law includes a retirement test to determine whether there has actually been a loss of earnings. This test relates only to earned income. To apply an overall test extending to income from interest, dividends, private pensions, et cetera, would not only be inconsistent with the basic purpose of the test, but could serve to discourage efforts for building supplementary protection for old age through private arrangements, both individual and group.

The retirement test now in the law needs to be modernized and liberalized. To do so would be very inexpensive. But to eliminate the test completely would be costly, requiring a substantial increase in taxes—two-thirds of a percent of

payroll—that could better be used to raise benefits for those unable to earn.

Relatively few of all aged people would gain from elimination of the retirement test—less than one in 10 of all people 65 and older. And these are the very people least in need of additional income. They include the self-employed and the professionals who do not encounter the same age barriers to gainful activity as other members of the labor force. Why should employees be subjected to higher social security taxes in order to provide old-age benefits to people, including the highest paid professionals and business executives, who are still working?

Mr. Cruikshank, in answer to a request for his comments on a proposal that there be no reduction in Social Security benefits until the combined earnings and other retirement income exceeded \$3,000 (p. 1779):

The approach of this proposal seems to me to be constructive, but it still leaves unanswered the practical issue of cost in terms of allocation of resources. For the great bulk of people under Social Security, the effect would be to establish a \$3,000 earnings test. This would raise most of the objections that can legitimately be directed to a flat \$3,000 earnings test. I would roughly estimate that the cost of this proposal would approximate \$2 billion a year with the advantage again, going to the relatively small proportion of people who least need this kind of assistance. I cannot stress too strongly or even too frequently that the basic need to meeting the requirements of by far the greatest number of people is to raise the Social Security benefit levels, rather than to relax the test of retirement.

Honorable George P. Shultz, as Secretary, Department of Labor (p. 1983):

Dear Mr. Chairman: Thank you for your letter of April 24 and the request for comment on the issues raised by Nelson Cruikshank's interesting paper on "The Retirement Test in Social Security." Mr. Cruikshank makes a very strong case for the maintenance of a liberalized retirement test in the Social Security program.

The Department of Labor also supports the related idea set forth in the working paper that as health, educational and general employability status of older workers improves in the years ahead we should be encouraging older people who are able and willing to work to continue doing so rather than encouraging earlier and earlier retirement at reduced levels of income. It is clear to us that earlier retirement can force many retirees and their families to live out their lives at or below the poverty line.

We also agree that if a choice must be made between eliminating the retirement test to permit 10 percent or less of the potential beneficiaries to draw social security and still go on working full time and using the same amount of money in payroll taxes to make basic improvements in benefit levels for those beneficiaries most in need of such help, we would certainly support the latter choice.

FAVORING ELIMINATION OF THE TEST.—Spokesmen advocating elimination of the retirement test argued as follows:

Lawrence Hochheimer, President, Senior Personnel Placement Bureau, Inc., Norwalk, Connecticut, (pp. 1387-89):

Our organization consists of 25 volunteers, largely people retired from their professional and business careers, and our sole purpose is to find gainful employment for elderly people in our area. We have one paid employee, a secretary, and our office is open from 9:30 to 1:00 five days a week. Our project has been in operation for nearly four years, during which time we have found jobs for 640 people.

With this experience it is inevitable that we should be conversant with the obstacles to the employment of the elderly. Foremost we would place the current operation of the Social Security Act. Many commercial and industrial concerns in these days of scarcity of labor will not object to employing elderly people per se, but the Social Security Act is a stone wall that often blocks our road.

People come to us and ask us to get them jobs for a few hours a week at a rate that will bring them just under the \$1680 annual figure. We can seldom find such work for them. Quite often we have \$5000 jobs going begging. A man fully capable of doing the work will refuse it for fear of losing his Social Security payments. We go over the arithmetic with him and show him how much better off he would be taking the job and paying his Social Security deductions and income taxes, but he will have none of it. The thought of losing his regular income is so alarming to him that he will not entertain it, while admitting the correctness of our figures.

* * * * *

Concepts that were valid in 1935 when the SSA was established and work was scarce do not apply today. The idea that SSA is merely an insurance company like any other we believe to be no longer acceptable. The SSA should be considered as one of the functioning agencies of our government. The test should be rather how the elderly people can best be served and whether the finances of the government would be adversely affected.

We think there is unanimity of opinion that elimination of earnings test would stimulate interest in the elderly to engage employment.

Now, how about the effect on the Treasury? More people would pay to Social Security. How much would that be? More income would be taxable. How much would that bring in? Through simplification, there should be saving to the SSA. What would this amount to?

These are questions we are certainly in no position even to guess at. Has actuarial study been done on these questions, and if not, can it be done? Unless these estimates are made, it is hard to see how an intelligent conclusion can be reached.

Raymont Tavenbaum, Mature Temps, Inc., New York, New York (p. 1423):

1. The report I feel does not give sufficient consideration to the role that temporary employment services could play in solving the problem under consideration. The older person in many instances we find for a number of reasons finds temporary employment is the answer to his problem.

2. I cannot reemphasize sufficiently the need to eliminate or substantially revise the social security earning guidelines. You clearly point this out in the report and it is clearly one of the major problems facing these people because these guidelines are unrealistic in terms of the 1970's and they are self defeating.

Mrs. James H. Baxter, Consultant in Education, Over-60 Counseling and Employment Service, Chevy Chase, Maryland (p. 1382):

In connection with the "retirement test" under Social Security, I want to report a fear that we hear expressed by our older applicants—the fear of the delay period involved in adjustment of the Social Security payment whenever earnings have gone above the \$1,680 ceiling. For some of our applicants *this period when no monthly check comes* has ranged from 5–8 months. Where there is no financial backlog, knowing that the adjusted check will come months from now does not in any way multiply available pennies for existence this month and the next. In comparison, extra income from sources other than work does not prevent the more fortunate "retired" persons from collecting their Social Security regularly, in full. With an awareness of this complicated problem, our Board of Governors voted unanimously in favor of having it called to the attention of your committee on behalf of the human dignity of our quiet, struggling old Americans.

Charles V. Schaeffer, Jr., Ridgewood, New Jersey (pp. 1713–14):

In one of our manufacturing plants we have been successfully hiring employees, on a part time basis, who have been retired from other sources of employment. This has been very successful from an employer's standpoint and the most important reason for these men want to work is to have something constructive to do because their retirement has not provided them with sufficient activity.

However, most of them continue their employment earning only up to the limit provided under Social Security regulations because once they earn more than the limit their Social Security payments will either be reduced or eliminated.

Laws and regulations defeating productive motivation, particularly in periods of extremely high employment which has been prevalent in the last several years, and particularly during periods of extreme inflation, does not make any sense. This kind of policy is self-defeating. These people resent the limitation on earnings and feel they are being cheated out of Social Security benefits to which they have contributed in most cases during the majority of their working years.

With improvements in higher life expectancy perhaps the Committee on Aging would consider economic motivation and personal motivations for constructive effort among our Senior Citizens who are eager and, citing our own experience, quite capable, contributing productive effort rather than being solely recipients of socialized overhead.

Dorothy O'Neill, Hackensack, New Jersey (pp. 954-5):

Mr. SENATOR: I am a Licensed practical nurse, working part time in a local hospital.

I am 67 years old and have been on Social Security for 2 years getting \$113.30 per month.

My problem is—I can only earn \$1,680 each year, but because of a "Nurse shortage" I have already earned $\frac{3}{4}$ of the yearly amount and can only work 20 more days till the amount of \$1,680 is earned.

My health is good and I certainly would be glad to earn more money, and work more at the hospital but if I earn more, I will have to return fifty cents on every dollar I earn over the above amount, to Social Security.

If only we, who can work, be allowed to keep our salary, we would gladly do so. Thank you.

PROPOSING A BASIC CHANGE IN THE CHARACTER OF THE TEST.—A basic change in the nature of the test was also advocated.

Professor James H. Schulz, member of the Task Force on the Economics of Aging in his summary remarks at the concluding hearing (pp. 1916-18):

Liberalizing the retirement test has been condemned by many people as a scheme to help people with high incomes, at the expense of those with little income. This, of course, is true if one is talking about complete elimination of the retirement test. It is certainly not true if the retirement test is liberalized to encourage and allow those people with low and moderate incomes to work part time in retirement because of economic or psychological need.

It is now over three decades since the social security system was initiated. Benefits have not yet become adequate in any meaningful sense. They are not, unfortunately, likely to become so in the near future.

Why shouldn't people who are not receiving pensions that fulfill their basic needs be encouraged to seek part-time employment to supplement their pension income without being penalized?

After three decades of unsatisfactory improvement in benefit levels, the argument that the cost of liberalizing the retirement test would be better spent in improving benefit levels becomes a cruel deception upon the American people.

We all know how highly our society values work and industrious people. We see, for example, how carefully our present welfare laws have been constructed in an attempt to deny payments for the slothful. And we hear today arguments in behalf of a new welfare system that emphasizes the work incentives built into that system.

I do not argue that this is necessarily wrong. But I do want to point out most emphatically that this same society which extolls and encourages the virtue of work is the one which often seeks to partly solve the problem of national unemployment by constructing numerous institutional barriers to employment for older workers.

As Dr. Sheppard pointed out in his excellent working paper prepared for this committee, one need not be against retirement to advocate public policy which gives the individual worker choices and alternatives under decent conditions.

The fears and the economic ignorance of the 1930's remain with us today. Some people still believe that opening job opportunities to the elderly reduces the jobs available to younger workers. This is a false doctrine. If there is one lesson to be learned from the new economics of today, it is that the Government, through appropriate monetary and fiscal policy, can stimulate the economic expansion necessary to create jobs for all Americans, young and old, who want to work and who have the necessary skills.

No longer is there any justification for forcing older workers out of the work force, nor is there any justification for discouraging them from supplementing their income by part-time employment. Instead, business and Government should be actively engaged in creating part-time employment opportunities for older persons as a part of efficient production.

The testimony presented yesterday about the Green Thumb program illustrates what can and should be done. Once we fully reject various false economic doctrines currently accepted on faith by many people, we can then develop more rational public policy for the elderly.

I would like to propose in this final day of hearings that we think about substituting for the current retirement test a new test which might be called an adequacy test. I think we are all agreed that the principal function of social security old-age benefits is to provide income protection; that is, replacement of income when persons lose regular income from employment as a result of advancing age. But the key test of determining whether a person needs such protection is not the amount of earnings, but rather the adequacy of his income in meeting his needs.

I propose an adequacy test for the receipt of social security benefits which would allow couples to receive social security benefits without reduction up to the point where the total of social security and/or Federal retirement pension plus family earnings equals the moderate needs of that couple.

"Moderate need" could be defined, for example, using the U.S. Bureau of Labor Statistics' budget level for a retired couple.

I believe, however, that this is probably too low an adequacy level and that a higher adequacy level should be set.

The "adequacy" definition could be reduced, of course, for single individuals. Also, to facilitate transition from the present test, it would be desirable, I think, to retain the

current permissible earnings amount of \$1,680, regardless of the total of social security earnings.

The BLS moderate budget level for an elderly couple will soon be about \$500, given increases in the general price level. Thus, under the adequacy test proposed, a couple getting a minimum benefit of about \$1,000 a year would be permitted to earn an additional \$4,000 before any deduction were made in social security benefits. A couple with a maximum benefit of \$3,500, however, would be permitted to earn only an additional \$1,680 without loss of benefits, an amount equivalent to the current test.

Earnings which in combination with social security exceed the adequacy test should then result, as has been proposed, in social security benefits being reduced \$1 for each \$2 of earnings.

Of course, introduction of this adequacy test would not help the elderly who cannot work. I would like to emphasize that such reform is not a substitute for adequate pension levels for all, but after three decades this adequacy still has not been achieved.

People who can work, therefore, should not be penalized for seeking employment to achieve that adequacy. Many elderly today would choose probably to continue working full time rather than live off their meager pension.

But very often institutional constraints, such as mandatory retirement and age-discrimination practices, have prevented their doing so.

Why, then, deny these elderly people part-time work opportunities? Why penalize these elderly by taking away social security benefits?

The critics of abolishing the retirement test have set up, in my opinion, a strawman. At the same time they have failed to face up to the need to establish a realistic and an equitable test as to when people should be denied their social security benefits.

FINANCING

The hearings heard from many experts who felt that the time was ripe for the use of general revenues in helping to finance the rising costs of Social Security, principally as a method of bringing greater progressivity to the regressive payroll tax that workers have been carrying. Other views are also included here.

Nelson H. Cruikshank, in his Working Paper on "The Stake of Today's Workers in Retirement Security" (p. 1944):

The costs of supporting our aged population are already large and will have to be much larger to assure old people a full share of the Nation's economic abundance. The working population cannot escape these costs. Workers of all ages, therefore, have a vital stake in making sure that the financial burden is spread in the most equitable manner.

The major part of the cost of retirement security is now met through the social security payroll tax. In recent years, an increasing number of low-income families have paid more in social security taxes than in income taxes.

The social security contribution rate is uniform and does not apply at all to higher levels of earnings. Workers with low earnings therefore pay a larger percent of their total income than do higher paid workers. The tax considered just as a tax, is thus regressive even though this regressivity is offset to a considerable degree by a benefit formula that replaces a higher proportion of earnings for those at low wage levels. The tax is also a percentage of wages rather than a flat amount as is the case in most private insurance premiums.

The time will soon be reached—if it is not already here—when it will be difficult to levy a regressive tax on low-paid workers at the higher rates needed to finance benefit improvements. The regressive nature of the social security tax can be relieved in two ways: by a higher wage base—raised substantially more than through past actions—and by use of general revenues. A combination of the two methods would be best. Serious consideration must therefore be given to the use of general revenues as a more equitable basis for sharing these costs.

There is sound justification for financing through general revenues that part of social security costs which is equivalent to prior service credits. Workers already close to retirement age when the system was first started, or when coverage was extended to their employment, received full benefits even though the contributions they and their employers paid would finance only a small part of the benefit. While this was sound public policy and kept many old people off relief, it did mean that these benefits had to be financed from future contributions. There is no justification for expecting presently covered workers to pay for this "accrued liability"—estimated in the long run to amount to one-third of the total cost of the program—through a regressive payroll tax. A far fairer method would be to finance this share from general revenue sources to which all taxpayers contribute and through a more progressive tax structure.

Nelson Cruikshank, in his oral testimony (p. 1762):

Of course no tax is ever pleasant but from my experience in the AFL-CIO as director of the department of social security, I am fully convinced that this is a tax for which workers are convinced they get their money's worth more than any other tax they pay.

I recall one period when there was an effort made when the Presidential message stated that it was unfair to allow one of the scheduled increases in taxes to go into effect and there was a flood of mail from workers saying that they wanted that scheduled increase to go into effect.

Now workers have had experience in this area through their unions. They negotiate pension plans, they know that any retirement system or system providing disability protection and survivors protection is not cheap. They know that higher benefits must mean higher contributions. They have generally supported the higher social security taxes, both in the rates of tax and also the amount to be taxed.

Today we really only insure the first \$7,800 of income and we feel that with rising wages the higher incomes should also be insured so they want to raise that base.

Ronald Richardson, Executive Secretary, Local 75, Bartenders Union, (pp. 1766-67):

Mr. Chairman, members of the committee, our joint board of Washington represents some 10,000 hotel and restaurant employees and this is one of the lower paid service industries in this city and in the country.

The workers in this industry, particularly the younger workers that we are addressing ourselves to at the moment, have full knowledge of the fact that they will never be able to accumulate the type of reserves that it would take for them to retire adequately without social security.

I think if we are talking about an increase in social security taxes that this would be a very palatable increase, that this would be an increase that they all realized. They have seen their parents on retirement and realizing the fact they cannot accumulate the necessary money to retire at an early age.

I think if they had a choice there are a lot of taxes that they would rather not pay. I don't think that social security is one of these. I think there is an objection particularly on the part of the younger members right now about taxes that go to make up oil depletion allowances, farm subsidies for wealthier farmers, arms for Cambodia, that type of thing, but I don't think that social security taxes fall into the realm of that particular objection.

Bernard Nash (AARP-NRTA) (p. 1861):

On the matter of financing, however, we do have two observations: First, we believe that when younger workers are informed of their stake in a truly adequate public retirement system, they will be willing to support an equitable system of financing such reforms.

Second, as economist Leon Keyserling pointed out in testimony before this committee, economic growth in the United States will result in an additional average of \$200 billion of goods and services being produced each year over the next 10 years. We believe that among the competing uses for that economic growth, retirement income adequacy should receive high priority.

Professor James H. Schulz (p. 1915):

Of course, when one proposes major increases in social security benefit levels, the inevitable and necessary question raised is: How are they to be financed?

I favor retaining the present contributory wage-related system of finance, which uses earmarked payroll taxes.

The payroll tax, however, should be set at a level necessary for the contributing worker to attain what I call "pension insurance credit" on an actuarial basis for his own pension.

To the extent that Congress in the past has granted, in effect, retroactive pension credits to persons paying little into the system, I agree with those persons who recommend that

such obligations be met out of general revenues. This is an equitable and responsible way of introducing general revenue financing into the system.

Dean Wilbur J. Cohen, when asked his ideas about a realistic limit on the rate of the payroll tax (p. 1796):

I have these two ideas on it, Senator. I think there are two separate questions. One is the amount at a given moment of time in the light of incomes in the short run and the other is what you might call the long run. I do not have a view on the long run because I believe that is a matter that each generation has to decide in relation to its total income.

The way I look at it is this way: if one were sitting in this room, let's say, in 1910, 1920, or 1930, and you asked the question what is the limit that you could put on social security, it would probably have been a much lower limit than the one we even have at the present time simply because one's perspective is limited by the economic and social conditions of the time. But if you were asking me in 1985 or the year 2,000 I would say if incomes are two or three or four times as much as they are now it is entirely possible that the amount devoted to social security would be substantially larger.

As our incomes go up above the subsistence level, as you meet the need for food, clothing, shelter, health, and education, and there is a larger proportion of your income that is discretionary, then the question is where should you allocate that—what to retirement, what to education, what to other areas?

I think that is a question each generation would have to decide.

I believe at the present time that it is possible to justify a tax rate on employees certainly for the old age survivors and disability insurance system within the area of 5 to 6 percent of payroll, and perhaps even somewhat more.

I might point out that the contribution rate under the civil service retirement program is now, I think, 7 percent, either 7 or something a little bit larger, and it has risen over the years from 5 to $6\frac{1}{2}$ to 7. Naturally, there are somewhat higher incomes in the Federal service than there are generally, but I do not think that a rate at the present time anywhere between 5 or 7 percent on the employee and a comparable rate on the employer would be out of line, with benefits that would be commensurate with that tax rate.

Dean Cohen, on appropriate ways of using general revenues (pp. 1797-98):

Yes. I believe that there are perfectly appropriate ways in which general revenue financing can and should be brought into this system. I believe that some kind of a formula is necessary that would restrict the general revenues to a way that was not completely open-ended so you did not get yourself into a position so that you didn't know how to limit your costs. I would suggest that there are some possibilities such as the general revenue paying for the amount of

the minimum benefit above the actuarial benefit. That is a mathematically determined cost and you can keep that within bounds. In other words, to give you an illustration, if you are going to pay \$64 as a minimum as you pay now or \$100 in the future, and really the actuarial value is \$20, then the difference could be paid by general revenue. That is one way to measure it.

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Here is another aspect of it. When we started the social security system we naturally had to pay individuals who were already older than the actuarial value. In other words, if you had just a saving bank system I don't think politically we could get Congress to pass an annuity system that paid people \$2 a month, which would have been the actuarial value. You could provide that the general subsidy was for the payment of the total unearned annuity. In other words, you make future generations pay their full cost.

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It is a measurable cost and it does not continue to rise indefinitely but is something that could be used as a basis for considering general revenue financing.

Charles I. Schottland, former Social Security Commissioner, whose recommendations for reform included integrating old-age assistance with Social Security (p. 102):

This leads me to my final recommendation. If we are to include the present recipients of old age assistance, and if we are to increase benefits substantially and carry out the other recommendations herein, we must have the Federal Government participate in the financing of social security through general fund allocations.

The United States is one of the few countries of the world where the benefits in social security are financed through employee and employer contributions alone. In practically every other country, the Government makes a contribution from general funds, and I think this is inevitable and is a more equitable levy on all citizens and not just upon workers and employers.

So long as we kept the system entirely related to a person's work connection, there was some logic in taxing only the worker and the employer. But now that we have admitted persons over 72 years of age who are not otherwise eligible, and particularly, if we make some of the improvements that I have suggested herein, I believe that we are justified in using general fund money.

Tax Foundation, Inc., in relation to the payroll tax (p. 1984):

The large and growing burden on employees must be a matter of concern. Presumably, most employers will be able to shift most of the tax most of the time to consumers (or employees). Yet complete shifting cannot be assumed, especially when many companies fail to end the year with an economically viable rate of profit (or any profit at all in

some cases). Thus the tax does bear upon business enterprise. It has some of the defects of business taxes. Nevertheless the recent rounds of payroll tax increases have not received so far as we are aware, the amount of careful analysis of their effects on business efficiency and progress which their importance justifies. Before any further increases are adopted, some careful thought is called for.

One reason it is said that we tax some products e.g. liquor is to discourage consumption. To put high taxes on employment must hurt rather than help the growth of jobs, though I hasten to add that the performance of our economy has been very impressive despite such obstacles. Could we not, however, do better in the future without adding to the already scheduled increases in burdens on employers?

Moreover, some state-local governments must expect difficulty in meeting the higher costs. And the many hospitals, colleges, philanthropies, cultural, scientific, and other non-profit organizations will find their financial difficulties only compounded by additional payroll tax burdens.

High already is the load of social security taxes on taxpayers with low and moderate incomes. The fact that half or so, the portion shifted into price by the producer, is hidden does not change the fact that the total cost *is* heavy. By some of the standards used in evaluating any tax, the payroll tax, especially the hidden portion, leaves much to be desired. Not the least is the addition to the general cost of living. The Tax Reform Act of 1969 did make serious effort to lighten the tax burden on large numbers of taxpayers. Increase in payroll taxes would work in the opposite direction.

Putting much of the added cost on employees with earnings over \$7,800 may seem politically appealing. Yet the portion on the employer will certainly not be confined to consumers with incomes over \$7,800! The implications for equity in sharing the cost of social insurance clearly need open and objective discussion.

So many complications have been embodied in benefit elements that comparisons of costs and benefits arouse much criticism. A hard look does seem to make clear that for many people today the system will likely be anything but fair. Do they not deserve greater freedom and opportunity about the use of their income? This is one of the questions which present hearings might well try to analyze in detail.

Tax Foundation, Inc., in relation to general revenue financing (p. 1960):

The moderates favor continuation of the present self-supporting basis and thus oppose a government subsidy to social security. They argue that the introduction of a government subsidy would seriously weaken the cost controls over the program and that, because of budgetary or political reasons, the government subsidy might at some times not be paid in the amount required. Thus, it is not inconceivable that reliance on a government subsidy for financing a large portion of social security could lead to partial repudiation of benefit obligations.

Also arguing against government subsidy financing is that pressure would grow to restrict benefit payments to those with low incomes, since there is some question of partially financing benefits for people with large incomes from general revenues. If some sort of a means test were introduced into social security, there would be a deleterious effect on private insurance and savings. Many people would then find it not worthwhile to have income from such sources since it would essentially mean a corresponding reduction in Social Security benefits.

Secretary Finch, when asked for the Administration's views on general revenue financing, replied (p. 1873):

Third, the Chairman asked us to comment on the use of general revenues to finance Social Security benefits. It is usually assumed by those who so advocate that this would inevitably result in more generous Social Security benefits, both for retirees of today and for those of the future. While use of general revenue financing might now mean *more* liberal Social Security benefits under the climate of present public opinion, in the future the Nation may be facing an entirely different situation which might result in *less* generous benefits. In any event, the result would be to force the level of Social Security benefits into the political arena, where it would be in competition with all other demands upon general revenues with all the uncertainties that would entail.

If a substantial part of the cost of Social Security benefits were dependent upon general revenues, there might be pressure to introduce a means test, or some other form of income test, in order to restrict benefits to those with low incomes, since there could be a question of the propriety of financing benefits for high-income people from general taxation. Keeping the financing of the program, as well as the benefits, wage-related helps maintain the character of the benefits as earned payments made to all workers, regardless of their income.

B. OLD-AGE ASSISTANCE AND WELFARE REFORM

The need for drastic overhaul of Old-Age Assistance as the basic underpinning of old-age income assurance was underlined throughout the Committee's study, conducted during a period in which the Nation directed its attention to welfare reform.

The working paper on the Economics of Aging, written before the Administration's Family Assistance Plan was announced, had stated (p. 222):

Slightly more than 2 million aged people now receive Old-Age Assistance, over half of them as a supplement to social security benefits. Levels of assistance payments vary markedly from State to State, a variation far beyond that justified by any State differences in living costs. Many States meet only a portion of the level of need set under their own standards. Because of the large Federal financial stake in this State-administered program, national attention is in-

creasingly directed to such questions as: should Old-Age Assistance be Federally-administered? If State-administered, should uniform Federal standards be required?

In the months ahead, it can be expected that Old-Age Assistance and other welfare programs will be carefully scrutinized. Attention will continue to be directed to the possibility of reducing reliance on welfare through efforts to develop self-support of the potentially employable, thereby preventing prolonged dependency. Important as these efforts are for the younger population, they hold little promise for the aged; older people are not likely candidates for self-support through gainful employment.

POTENTIALS OF WELFARE REFORM

Experts commenting on the working paper questioned whether the Task Force had given sufficient consideration to the potentials of welfare reform, saying:

James F. Oates, Jr., The Equitable Life Assurance Society of the United States (p. 321):

There is much information and analysis of considerable value in the Report of the Special Committee's Task Force. Yet, there appears to be one regrettable omission. The thrust of the paper is directed at possible measures to improve the lot of the aged poor, but there is no reference to any of the various proposals now being espoused aiming at general income maintenance for all Americans, including the elderly. A wide variety of such proposals is being discussed intensively, including both an evolutionary approach through the general welfare system as well as more novel approaches such as several versions of a negative income tax.

Should the nation adopt general income maintenance as its goal, the problem of the aged would become a sub-set of the more general problem of low incomes regardless of age. The task then at hand might be how best to integrate the Social Security System (and other transfer payment programs) into the more general structure of income maintenance. The consideration of this possibility by your Committee might serve to avoid measures which could at a later time turn out to be difficult obstacles in the way of integration.

Statement of the National Association of Manufacturers (p. 311):

On several occasions in the paper the Task Force refers to poverty and declares that "X" percentage of aged people do not have income sufficient to raise them above the "poverty level" which is defined by the Social Security Administration in a statistical measure derived from the BLS "modest but adequate" budget for a retired couple. The Task Force also states that: "Public assistance accounted for 5 percent of income received by the aged groups." If only 5 percent of the income received by the aged people was in the form of public assistance, then it would seem that the Social Security program is really accomplishing its intended objective. In addi-

tion, only approximately 7 percent of all Social Security recipients receive public assistance. This latter figure would seem to corroborate the premise that the Social Security program is operating as designed.

Perhaps further consideration must be given to the term "poverty" and a better definition determined. Indeed, it would seem that the whole question of "adequate" income is not really defined. There are bound to be substantial differences in living expenses after retirement, as well as in income. It is too easy to institutionalize both the "poverty line" and the "modest but adequate" budget.

NAM believes that the statistical and mechanistic approach to the measurement of poverty and "standards of living" needs to be more thoroughly investigated and critically reviewed before it is accepted as a basis upon which vast sums of money and radical changes in philosophy are predicated.

William D. Bechill, Associate Professor of Social Work and Chairman, Social Policy Sequence, School of Social Work, University of Maryland (formerly Commissioner, U.S. Administration on Aging) (pp. 297-8):

As excellent as the overall data is, I am concerned over the omission of any meaningful data or observations regarding the Old Age Assistance program and other public assistance programs attempting to meet the financial needs of low income aged persons. The numbers of persons receiving Old Age Assistance is approximately 2,000,000, about 10 percent of the total population age 65 and over. This group has generally been recognized as the most severely economically deprived in the older population. I believe that no solutions to the problem of poverty in old age should overlook the unique needs of older people receiving public assistance.

Another general criticism, which I offer in a constructive vein is that there was no discussion of the interrelationships between such income maintenance schemes now receiving some popular attention, such as the various negative income tax proposals, the guaranteed income proposal, or federalization of the adult public assistance programs, to the various issues of income maintenance identified by the working paper. If further reports are planned by the Committee, I would hope that there would be some assessment made of these income maintenance approaches with regards to their relevance to the income needs of older people.

Tax Foundation, Inc. (p. 1984):

The current and heartwarming evidence of desire to improve the system of governmental aid for the poor has revealed, among other things, that complexities are even greater than had been presumed. One temptation is to try to broaden and expand programs rather than to concentrate them for greater effectiveness. Yet will not the focusing of aid more directly to the points of greatest need multiply the positive results? To try to enlarge the whole social security system to meet some kinds of specific need must be highly inefficient. Congressional efforts to modernize the arrange-

ments for making welfare aid systems more effective reduce the need for some of the broad expansion of coverage through social security.

PROPOSALS FOR REFORM

FAMILY ASSISTANCE PLAN

Hon. Robert H. Finch, as Secretary of Health, Education, and Welfare, included these comments on the Administration's Family Assistance Plan in his statement to the Committee (pp. 1869-70):

Enactment of the welfare reform proposals would go far toward abolishing poverty among the aged in the United States. The Family Assistance Act was originally introduced in the Senate and House as S. 2986 and H.R. 14173 respectively. On March 11, a revised version of this proposal, H.R. 16311, was reported out by the House Ways and Means Committee and passed by the House with bi-partisan support on April 16. As you know, the Senate Finance Committee is now studying the proposal.

The aspect of the proposal which has received most public attention is its basic Federal Family Assistance Plan, under which each family with children would be eligible for a family assistance payment if its income falls below certain levels. While a few older poor persons would be members of such families, and thus qualify for this program's benefits, the majority would benefit from other, less publicized, aspects of the Administration's proposal.

The proposal, as passed by the House, would provide that the minimum public assistance benefit for all adult categories, when combined with other income, would produce a total income of at least \$110 per month. This would assure an income of \$1,320 per annum for every person over 65 in the United States whose assets are such as to meet the applicable means test, and \$2,640 for elderly couples where both husband and wife qualify. While the amount for a single individual falls somewhat short of the official Federal estimates of the annual incomes needed to bring single older persons out of poverty, other provisions of the Administration's proposal relative to food stamps and allowable personal and real property would help bring recipients substantially closer to a minimum standard of decent living.

Proposed disregard of earnings would further benefit older persons who are working. H.R. 16311 permits a more generous earnings disregard than present law. If the recipient's State were to take advantage of it, his \$80 per month earnings would reduce his \$110 per month benefit by only \$10, giving him a total monthly income of \$180 or \$2,160 per annum.

Hon. Wilbur J. Cohen, former Secretary of Health, Education and Welfare, commented on the Family Assistance Plan as follows (pp. 1787-88):

Now, I would like to turn for a moment or two to the area of public welfare or public assistance that you asked me about a few moments ago.

As you know, there are about 2 million individuals in this country whose incomes are so low or nonexistent that they are now in receipt of public welfare through State welfare agencies. In addition, there are about a million persons who are disabled or blind, making a total of 3 million individuals in the so-called adult categories who are retired individuals with low incomes.

The amount of the income that these people receive in practically all States is very inadequate and should be substantially increased.

I, therefore, favor very enthusiastically the provisions in the so-called Welfare Reform bill which is now pending before the Senate Finance Committee to provide for a combined category of the aged, blind, and disabled with a Federal minimum standard in it. The standard which President Nixon and Secretary Finch recommended was \$90 a month. The House Ways and Means Committee, and the House of Representatives raised that to \$110, and I believe that is an extremely important step forward. I most enthusiastically support the concept of the Federal minimum and at least \$110 minimum which would be \$220 a month for a couple. As a matter of fact, I believe that in the course of time we could increase that \$110.

PROPOSAL FOR INTEGRATION WITH SOCIAL SECURITY

Charles I. Schottland, former Commissioner of Social Security, presented in addition to recommendations for short-range improvements in Old-Age Assistance, a long-range goal of integration with the social insurance program (pp. 101-2):

Old-age assistance along with other public assistance programs is in a sorry state. States and local communities are straining their financial resources to pay their share of the bill, and at the same time we are maintaining people, in many cases, below the poverty standard. Without going into detail, I would like to make the following recommendations:

(1) The Federal Government should require a minimum standard binding upon all States so long as the program is administered by them.

(2) The Federal Government should assume 100 percent of the cost of old-age assistance. This is now being proposed by many State Governors and others, and I believe is a much sounder way of absorbing some of the costs of State government than some of the other proposals being made such as rebate of certain Federal taxes to the States.

(3) The above two recommendations could be instituted immediately. My third recommendation is that the Federal Government take over the administration of old-age assistance and administer it through the social security offices. Here we have a network of offices throughout the country which are well staffed, accustomed to dealing with aged persons, and with their operations computerized.

With the increasing use of the affidavit forms in old-age assistance throughout the country, I believe this could be handled by the social security offices as an interim step lead-

ing to the eventual abolition of old-age assistance. We should take cognizance of the fact that over half of the two million old-age assistance recipients are already receiving social security benefits.

(4) My fourth recommendation is a more long-range one, and that is, old-age assistance should be integrated with social security, and all aged should be brought into the old-age security system. We are already doing this for persons over 72 years of age. Under the so-called Prouty amendment, all persons who attain the age of 72 before 1968 receive \$40 per month if they are not on public assistance, or another Government pension. Most of those receiving benefits under the Prouty amendment receive them pursuant to payments out of the general fund of the U.S. Government.

This leads me to my final recommendation. If we are to include the present recipients of old age assistance, and if we are to increase benefits substantially and carry out the other recommendations herein, we must have the Federal Government participate in the financing of social security through general fund allocations.

Secretary Finch, when asked for the Administration's comments on Dean Schottland's long-range proposal, replied (pp. 1872-73):

The Chairman asked our views on the proposal of former Social Security Commissioner Charles Schottland that old-age assistance be integrated with social security and that all aged be brought under the combined system which would result. The basic position of the Administration is that the most appropriate primary vehicle at present for bringing *needy* older Americans up to a reasonable standard of living is the public assistance program, rather than the social insurance program. By assuring that all eligible persons age 65 and over will receive monthly incomes of at least \$110, as proposed in the House-passed welfare reform bill, we would assure that assistance go to those who need it most.

One concern with implementing this proposal has been that if non-contributors are to receive payments at the same, or approximately the same, level as many contributors, and if there is no means test for these payments, it may seem quite unfair to those who have contributed toward Social Security.

Moreover, if a non-contributory benefit is administered through the same mechanism as the contributory benefit, there is a possibility that the way people feel about Social Security and their Social Security contributions could be completely altered. There is a real possibility that instead of the identity of the public assistance program being lost in the combined program, the identity of the Social Security program would be lost in it.

Dean H. Fisher, M.D., Commissioner of the Maine State Department of Health and Welfare, questioned the logic of separating public assistance from social insurance (pp. 561-2). His statement, which related to both cash and medical benefits, appears later under "Health Aspects."

FEDERAL ADMINISTRATION AND FINANCING OF ASSISTANCE

Dean Cohen, in endorsing the Administration's proposed family assistance plan to provide a Federal guarantee of income to needy adults, strongly supported amendment No. 590, introduced by Senator Ribicoff, that would eventually result in complete Federal financing and administration of assistance for the adult categories (pp. 1788-89):

I do, however, support very enthusiastically, also, Senator Ribicoff's amendment, amendment No. 590, which he introduced which increases the Federal share for this purpose above the House-passed bill so that the State would be able to supplement and add to the \$110.

The \$110 is only a Federal minimum to which the States may add more if they have the resources.

Senator Ribicoff also reduces the age in his amendment from 65 to 60 and to age 50 for widows. Those seem to me to be very desirable amendments in view of the fact that in the Administration's reform bill they have omitted single people or couples who do not have children or who are below the age of 65. I believe those two amendments are desirable.

Finally, in his amendment, the one which I most vigorously support, is his amendment that eventually the Federal Government should finance in its entirety and administer the adult categories including those for the aged by the Federal Government and the Federal Government pay 100 percent of the cost and administer it with a simplified declaration of income along the lines which I recommend in my regulation before I left office.

Secretary Finch has endorsed that simplified declaration of income. I hope it will go into effect under the present program on July 1, and I believe it ought to be made a policy for the entire United States and be administered by the Federal Government, the Federal Government paying the entire cost.

This would take a tremendous burden off the States and result, I think, in an appreciable increase in adequacy of benefits and give the aged, whose incomes are inadequate, the kind of dignity and respect or simplified program that is desirable.

* * * * *

I will say quite honestly one of the reasons why I issued that declaration was in the hope that it would be successful and it would lead the way to a federally-operated system and a federally-financed system so that that could be workable.

Under the existing law I don't think you could have really had a very effectively administered Federal system on the individualized type of needs test but with the declaration of income, I think it is administratively feasible.

I would like to point out that most of the governors of the States support the idea of a completely federalized financing and federalized administered system for old age assistance in the adult category. This now represents, I think, a general agreement and I would hope that in the welfare reform bill

or in the pending social security amendments that Congress would take this up at this time.

I think it is one of the areas where we in the last few years have got a more generalized agreement.

AMOUNT GUARANTEED IN RELATION TO SOCIAL SECURITY MINIMUM

Nelson H. Cruikshank, in his working paper on "The Stake of Today's Workers in Retirement Security", posed a problem resulting from guaranteeing a higher amount through welfare than the minimum social security benefit, saying (pp. 1942-43):

The present minimum social security benefit—\$64 as a result of the recent 15-percent increase—is woefully inadequate for those people who have spent substantial time working in low-paid or seasonal jobs. Particularly now that the welfare reform proposal before the Congress would establish a minimum standard of \$110 a month for old-age assistance, the level of the minimum social security payment should be raised: otherwise more and more older people with low social security benefits will need to turn to the assistance program for supplementation of their obviously inadequate incomes.

Robert M. Ball, Commissioner of Social Security, had earlier questioned the validity of using the social security system as a mechanism for guaranteeing income, in the following comments on the level of the minimum benefit (p. 23):

A more difficult question concerns the size of the minimum benefit. Few regularly employed workers get a minimum benefit. Today, a worker who has regularly been earning even as little as \$200 a month will get, not the minimum of \$55 but a benefit of \$101.60. Those getting minimum benefits include large numbers of women who worked only briefly under the program, as well as persons who worked largely in noncovered employment and may be getting benefits under other programs. Nevertheless a considerable number of those getting minimum benefits are poor and one way of reducing poverty would be to establish a high minimum benefit under social security. Such proposals raise a question as to whether social security is the right mechanism to use to guarantee minimum income support for all, as distinct from earnings replacement. Social insurance based on the concept of partly replacing earnings that are lost because of retirement in old age, death, disability, or unemployment is a powerful idea and can go a long way toward preventing poverty, but if we want to guarantee that no one will be poor, it may be more effective to rely for part of the job on some sort of an income-determined program that pays solely on the basis of need and without regard to previous earnings.

Secretary Finch, when asked for the Administration's comments on Mr. Cruikshank's statement, replied (p. 1872):

Social Security is the Nation's basic income insurance program, and provides retirement, disability, and survivors insurance for all who work. Social Security is not just a program for low-income people, or for those with only brief in-

volvement in the work force, but rather a universal income insurance system, serving workers at all income levels.

While the benefit amounts payable under the Social Security program are related to the worker's previous level of earnings, the law provides that a worker with low-average earnings gets a benefit that is a higher percentage of his pre-retirement earnings than does the worker with higher earnings, in recognition of the fact that the low-paid worker and his family have less margin for reduction in their income than does the worker with average or above-average earnings. For example, a worker who has averaged \$100 a month gets a benefit equal to about 71 percent of his average earnings, while a worker who has averaged \$650 a month gets a benefit of about 33 percent of his average monthly earnings.

Thus, in view of the fact that the low-paid worker already enjoys a considerable advantage under the Social Security program, to raise the Social Security minimum benefit high enough to provide practically everyone getting Social Security benefits with an adequate payment might tend to weaken the fundamental social insurance concept of partially replacing lost earnings. Also, while an increase in the Social Security minimum benefit would result in fewer people having to turn to public assistance, it would also, of course, result in increased costs to the Social Security program. And as long as the program continues to be self-supporting, the increased costs must be met through either smaller benefits for other beneficiaries or larger contributions, or both.

If we should attempt to provide a minimum Social Security benefit of \$110 per month, to match the \$110 per month proposal in the House-passed bill for public assistance recipients, we would be assisting many who have substantial retirement incomes from other sources, such as income from investments, private pensions, and annuities based upon public employment. For many of them, the small minimum Social Security benefit is merely an extra layer of icing on their retirement income cake. Thus, the Administration wholeheartedly agrees with the conclusions expressed in bold-face type on page 8 of the working paper:

"Workers should not be expected to pay higher Social Security taxes in order to pay a high minimum benefit to people who barely meet eligibility qualifications because their lifetime work has been in non-covered employment."

Dean Cohen, asked the same question, answered (p. 1788):

Now, you asked me the question will there be a difficulty if the minimum in the welfare program is higher than the minimum in social security?

I think that it need not be so because I think the welfare program should establish a minimum which involves total income in the welfare program and if you have a \$110 minimum and you receive \$100 from social security, you would only get \$10 from welfare. This is the concept of a minimum income as I think it should be whereas social security is the concept of making a payment to which you can add anything you have from any other sources.

I, therefore, favor starting with \$110 minimum and raising that as fast as possible.

RECOMMENDATION FOR A HIGHER GUARANTEE

William C. Fitch, Executive Director, the National Council on the Aging, in presenting the recommendations of 400 representatives of public and voluntary agencies convened by NCOA to establish new priorities for the 70's, submitted the following recommendation endorsed by the group as a whole (pp. 1909-10):

Whereas there are 400 representatives of public and voluntary agencies concerned with the elderly convened to establish new priorities for the 70's, and

Whereas those individuals explored various ways of meeting the economic needs of the elderly, and

Whereas, those convened, agree and support the basic principle of the Family Assistance Program Income floor for the needy, and

Whereas, we are distressed about the inadequacies of the minimum standard for benefits for the elderly: We therefore

Resolve, That we urge the enactment of a minimum income program to provide currently at least \$1800 per year for each older individual and \$3,000 for each older couple plus \$1,000 for each dependent, and that automatic escalation be included in the program to reflect increased costs of living and improvements resulting from increased productivity; and further

Resolve, To express our concern and recommendations to the President and the Congress.

C. PRIVATE PENSIONS

That the question of the role of private pension plans in providing income for the aged of the future is one of the most crucial issues—if not *the* most crucial issue—became all too clear during the course of the two years of study by the Committee.

The Task Force on the Economics of Aging, in attempting to relate private pensions to old age income security, had included these findings (pp. 220-1):

More of tomorrow's aged will receive income from private pensions. But there is no cause for complacency about this source of income in the future in view of a number of considerations.

Even under earlier projections now known to be too optimistic, only a third to two-fifths of all aged persons in 1980 were expected to have income from private group pensions.

* * * * *

The fact that pension coverage is concentrated among higher paid workers will mean that those in the greatest need in old age will be least likely to receive private pensions.

* * * * *

In addition, virtually none of the thousands of private pension plans makes provision for adjusting the benefit of

the retired worker to increases in living costs. And the usual plan provides very little protection for survivors.

* * * * *

What are the possibilities that changes in the existing private pension plan structure could significantly raise retirement incomes in the future? What kinds of change would be needed? What are the potentials for increasing private pension plan coverage and the vesting of benefits through new institutional arrangements—for example, a Federal program of voluntary supplemental group annuities with contributions fully and immediately vested and completely cumulative?

A recent study of pension adequacy found that a *large rise in the level of private pension benefits would be necessary to significantly increase the number of retired individuals living in relative prosperity*. In addition, because a significant number of retired units are not now covered by private pension plans and because large gaps in coverage are likely to continue to exist in the future, *many retired unit incomes would be unaffected by these private pension benefit increases*. (Source: Social Security Administration *Research Report* No. 24.)

Comments on the Task Force working paper questioned whether sufficient emphasis had been placed on the potential role of private pensions, for example:

James F. Oates, Jr., The Equitable Life Assurance Society of the United States (pp. 321-3):

A second point I should like to make concerns the role of private pension plans. I note that your Task Force, at the very end of its Report, terms private group pensions and personal savings "essential supplements" to basic social security benefits and urges the government to explore and lend support to methods of promoting and encouraging such supplementary sources of retirement income. Yet, the body of the paper and its statistical material do not appear to give much weight to the potential of providing future retirement income through private pension plans. It is worth noting that between 1955 and 1967 alone the number of persons covered under private pension plans rose from 16.4 million to 31 million, or from 25% of the civilian labor force to 40%. Furthermore, the reserves held to cover future benefits under these plans nearly quadrupled (to \$104 billion) reflecting both broader and improved benefits payable. The growth of these reserves in turn provided the funds for investments that have helped create jobs and improve productivity. It would seem clear that preserving and strengthening the incentives for private pensions, and for that matter personal savings, should indeed be carefully considered in any legislative proposal that may emerge from your Committee's deliberations. In any event it seems to me that governmental measures affecting the elderly, including Social Security, should be regarded as "floors of protection", with private plans providing the mainstay above the floor.

Tax Foundation, Inc. (pp. 1983-84):

The subject is of greater importance than most Americans now realize. Already, heavy commitments have been made for substantial increases in tax burdens in the years ahead. Moreover, the potentialities for nongovernmental retirement plans would be vitally affected by some of the proposals which, I understand, have been urged upon your committee.

* * * * *

Finally, freedom and opportunity to develop private retirement plans offer a basis for strength and constructive development not matched in a compulsory system. Our society is one of tremendous diversity. Will not the optimum utilization of potentialities be realizable only when individuals and private groups are free to adapt to their widely differing circumstances? Coercion, it is widely felt, does have a legitimate role in providing a floor of protection. But freely determined plans are required to serve best the varying needs, preferences, and earning and saving abilities of the tens of millions of American workers and their families. Regimentation can be carried too far. Initiative and adaptation to freely expressed desires can be productive in a manner never possible for a compulsory system blanketing everyone. Advocates of enlarging Social Security, the "expansionists," tend to overlook, not only the burdens of higher taxes but also the threats, some indirect and subtle, to private plans.

Professor James H. Schulz, a member of the Task Force, prepared at the request of the Committee Chairman a working paper on the subject "Pension Aspects of the Economics of Aging: Present and Future Roles of Private Pensions". This working paper, intended as a springboard for discussion, identified these conflicts in plan purposes (pp. 1515-18):

In evaluating the role of private pensions in the economy, one should be aware of a number of conflicts of purpose which have developed as pension plan coverage has spread throughout private industry. Five basic areas of conflict among participants in the planning of private pensions are discussed below. These are:

1. Differing preferences between employers and employees regarding retirement flexibility and the age of retirement.
2. Differences between older and younger workers regarding the relative importance of past service credits, benefit levels, and vesting provisions.
3. A difference between large and small firm employees in the importance of social security benefits.
4. A conflict between employers and the general interest of the economy with regard to labor mobility.
5. Conflicts over allocation of the pay package.

* * * * *

These five conflicts and others, have contributed to the difficulties of developing a public attitude or policy regarding private plans and no doubt account for a large amount of current criticism levied against private plans by the participants themselves.

Professor Schulz concluded the working paper with this summary (p. 1551):

In summary, under the private pension system developed to date, each plan is free to give priority to its own needs and to operate independently of other plans. The advantages of such flexibility must be weighed against the submergence of the individual's and the public interest that frequently results.

For example, is it in the employee's and public interest that a large proportion of workers who build up credits under private pension plans never qualify for an eventual pension because of insufficient periods of service with any one company? Is it in the employee's and public interest that the final pensions earned by short-term workers are so much less than those earned by career employees because there are few provisions for transferring and accumulating pension credits from a host of jobs? Is it in the employee's and public interest that private funds be permitted to promise the payment of future benefits without providing sufficient guarantees that the money will be there when needed? In short, to what extent can it be assumed that pension plan provisions geared to meet the special problems of individual firms are also of maximum benefit to the worker, the public, and the economy?

Professor Schulz, in the hearing on private pension plan aspects, expanded on "the underlying theme" of his paper, saying (pp. 1428-30):

The second point I wish to make concerns what became the underlying theme of my paper. I have tried to indicate in the paper that the present lack of self-imposed minimum standards of adequacy and equity in the overwhelming bulk of private plans today does not seem to be due primarily to the special circumstances of various industries, occupations, or firms. Rather, this lack of minimum standards arises in large part from the major conflicts between the objectives of the various participants in the pension plan decision-making process—conflicts between older and younger workers, between unions and workers, between employers and employees, and between the Government—representing the general welfare—and private industry in general.

The problems that arise from these conflicts can be illustrated by two developments in the private pension field.

The first development is the practice of granting retroactive pension credits for periods of past employment when new pension plans are established or old ones are liberalized. Granting "past service credits" is obviously in the interest of older workers.

But what is important to see is the fact that a strong motivation for unions seeking these credits and employers granting them has been the totally inadequate level of social security benefits.

Let me explain.

Scholars in the pension field are familiar with the controversy over emphasis upon individual equity versus social adequacy. Private insurance is supposed to be based on the

individual equity concept while social insurance is supposed to be able to also take into account (perhaps even emphasize) social adequacy.

What, in fact, has happened is that although social security now saves many old people from poverty who paid relatively little into the system, its benefits in no way achieve social adequacy.

Private pensions, therefore, have tried to supplement the social adequacy function of social security by past service credits. Unfortunately, the result has been to reduce the individual equity of such plans. In the words of the Staff of the American Enterprise Institute:

"* * * there is general agreement that grants of past service pensions do constitute the crux, in the main, of the problems with which the proposals on pension vesting, funding, and reinsurance seek to deal * * * If past service credits are not granted, vesting costs are materially reduced. Consequently, available pension resources can be allocated to earlier vesting of the individual pension rights."

Thus, Congress—by refusing to deal realistically with the serious income problems of the elderly through the social security system or, as some have proposed, through a negative income tax system—is partly responsible for the seriously inequitable private pension system which we now have.

A second problem which arises from the multiplicity of pension objectives is the present inadequacy of survivors' benefits in private pensions. Typically, the lack of adequate survivors' provisions is justified by reference to tradeoffs which must be made between the costs of various types and levels of private pension provisions. "We can't do everything immediately," it is said.

But, here again, as in the case of vesting, what good is a private pension promise if you cannot be certain that it will ever provide income security in retirement?

For this, Mr. Chairman, is the primary function of any pension—to provide—to guarantee—sufficient income so that a family can continue to meet its expenditure needs after the workers of the family are forced to retire. But without meaningful vesting, there is no guarantee—hence, no security—that the income will be available when needed. And, without meaningful survivors benefits, once again there is no guarantee—no security—that the surviving family will be able to meet its needs.

How can any worker trade off his own future security? How can any union or employer understate these needs of the worker?

Mr. Chairman, I think that it is time that we deal with the "social adequacy" or poverty problems of the elderly and nonelderly alike by an updated and modernized income maintenance system such as the present Administration or the Commission on Income Maintenance has proposed.

And, at the same time, we should allow and encourage the social security system and private pensions to do what they can do best—provide and guarantee substantial replacement

of earnings to the retired at all income levels and to provide such replacement through pension benefits which are based in large measure upon individual contributions and contracted rights.

It is my earnest hope that the background paper prepared for these hearings meaningfully contributes to the discussion of this fundamental issue.

INTRINSIC INTERRELATION WITH SOCIAL SECURITY

Pension experts commenting on Professor Schulz's working paper gave their views of the way in which the basic social insurance program shapes the role of private pensions, for example:

Robert Tilove, Senior Vice President, Martin E. Segal Company, New York, New York (p. 1748):

There is no substitute for an adequate Social Security system.

Whatever the growth of private pension plans, it is bound to be true that at least one-quarter, more likely one-third, and perhaps two-fifths, of the employees in private industry will remain without effective coverage by private plans. Their economic security will require an all-embracing public system that provides at least a minimum standard of health and decency.

Social Security benefits should be bolstered against erosion by inflation. While it should take account of the number of years of covered employment, the benefit formula should be based on wage levels in the years immediately preceding retirement. This does not mean, necessarily, a formula geared to each worker's final five or ten years of employment; it could be a formula for correcting the benefit amount for changes in the *general* level of wages so as to wash out the effect of price and salary levels more than five years out-of-date.

Attention ought also to be directed to a cost-of-living adjustment of Social Security benefits after retirement.

Moreover, it should not be assumed that the basic levels of Social Security are so adequate as to need only the addition of anti-inflation measures. The formula itself should seek to provide the life-long wage and salary worker with something he can really live on.

It is not a question of how much each person *wants* to allocate out of current income in order to provide security when he is old. It is precisely the unreasonableness of expecting an individual worker to protect himself adequately, in the light of the vast uncertainties of our economy, that makes the Social Security System inevitable.

Frank L. Griffin, Jr., Chairman, The Wyatt Co., Chicago, Illinois (p. 1650):

Employers, unions and their pension advisors have on the whole wisely planned their retirement programs in relation to the benefits available under Social Security. The govern-

ment itself has encouraged this approach through the operation of IRS rules; as a result, many plans quite properly allow in their formulas for the substantial Social Security benefits applicable only to the lower segment of earnings, by providing larger *private* plan benefits on earnings not covered by Social Security.

(Some individuals have incorrectly criticized private plan benefits on this score, on the grounds that they are disproportionately weighted in favor of higher paid employees. When viewed in relation to total retirement income, this is certainly not the case. Looking at the matter correctly, it is apparent that the employer provides not only the private plan benefit but at least 50% of the Social Security pension. This fully justifies the provision of different levels of benefit under the private plan, on different segments of earnings.)

Paul Jackson, Actuary, The Wyatt Co., Washington, D.C. (pp. 1640 and 1642):

My own personal view is that private pensions do not have as a valid objective 100-percent coverage. If they should ever achieve a 100-percent coverage I believe that would probably be indicative, by my way of thinking at least, that our social security program had fallen behind the point where it ought to be.

To me the ideal is to have the social security program reach the point where the first group of citizens agree that nothing further is necessary for them. Other groups then will agree that small additions are necessary on up to still other groups that want to lay a great deal more away for retirement.

and

In the final analysis, our national program of social security provides benefits geared to political and economic considerations that simply may not be applicable to a private-pension plan established by the individual employer. Social security provides full unrestricted benefits only after age 72. Benefits are available after 65 only to the extent that an earnings test can be met. Social security provides extra benefits for the wife or minor child of a living pensioner simultaneously with his collection of a full benefit, and benefits for surviving parents also. None of these are commonly found under private-pension plans.

Disability benefits are more restrictive and social security benefits generally discriminate in favor of married participants as opposed to single, against female participants, and in favor of those spending only a small part of their working careers in covered employment.

There can be no question but what many of these unusual benefits and the quirks in the system's operation would make little sense under a private-pension plan however justifiable in the national social insurance scheme.

To some extent, however, the integration rules imposed by the Internal Revenue Service tend to favor benefit patterns that are similar to those of social security. This is particularly

important in the case of early retirement. Thus, they impose a set of considerations on the design of private-pension benefits that may or may not be compatible with the private interests that are involved there.

Thomas H. Paine, Partner, Hewitt Associates, Libertyville, Illinois (p. 1617):

The fundamental point we were trying to make in our testimony is that we do not believe that the level of social security should ever be influenced by the number of people that have private pensions or by the size of those pensions.

Social Security by itself must be adequate to do the job of providing whatever we decide meets this standard of adequacy. I don't feel competent to define precisely how this is met but I would suggest that some method, either periodic congressional review or by the adoption of some kind of automatic index for social security benefits, would help us get the job done.

INADEQUACIES OF SOCIAL SECURITY PUT HEAVY BURDENS ON PRIVATE PLANS

Nelson Jack Edwards, Board Member-at-Large, United Auto Workers described some burdens carried by the private plans due to inadequacies in Social Security (p. 1450):

I recognize that this committee is presently concerned primarily with assessing the role and adequacy of private pension plans in this country. I know, too, that you have previously investigated many of the problems, both economic and social, which our older citizens face. I have, therefore, attempted in my prepared testimony, to limit my remarks to the areas you are currently investigating.

It is most difficult, however, to do that because the problems of aging are so intertwined. This is especially true of private pension plans and the Social Security program. Many of the benefit areas found in UAW pension plans have resulted from our attempts to provide for our members adequate levels of protection which are not available through the public program.

For instance, our pension plans have allowed for permanent and total disability retirement since their inception in 1950. It was not until 1956 that the public program recognized the need for this protection. Similarly, we provide a "Special Early" retirement benefit to protect the older worker who is forced to retire by technological displacement or plant closings. Although we have repeatedly called for the public program to recognize this need, we find today that such a worker must look to his UAW-won benefit for protection.

The benefit levels provided by private pension plans must also be assessed by viewing the whole retirement program. Even though social security benefits have been legislated upwards several times since 1950, they are still inadequate.

As I point out in my testimony, these increases have simply enabled social security benefits to play a game of catch-up with inflation—they have not resulted in widespread improvement in the economic well-being of the elderly. They have in no way allowed the retired worker to enjoy his fair share of the growth in economic abundance.

Many private plans, including those negotiated by the UAW, have had to try to assume this responsibility.

SPECIAL PROBLEM OF PLANT SHUTDOWNS

Attention was directed to the two-fold problem of loss of pension rights and loss of the job due to plant shutdowns.

Willard Solenberger, Assistant Director of the Social Security Department, UAW (pp. 1461-63 and 1465):

I think there is a tendency for the average service as well as the average age in the closed-out plants to be high.

One of the prime reasons why major operations are closed out is the superannuation of the plant and that also quite often involves a "superannuated" work force.

We have two other examples besides the Ford shutdown in Texas. Two major plants are currently in process of closing in Chicago and in both of those cases the work force includes hundreds of workers with 20, 25, 30, 35 and even 40 years of service, and the preponderant, the typical ages would be up in the 40's and a great many would be in the 50's.

This is one of the areas where we see a particular deficiency in the social security program because a worker who is literally forced to retire early in this kind of situation has to wait, in the first place, until age 62 before he can get any social security and at that point he suffers the penalties of having no covered earnings since his plant closing. This enters into his social security benefit calculation, thereby pulling down the amount.

In such a situation, he may use up all the "dropout" years allowed by social security, so his whole life income under social security which is inadequate at best then goes down further.

To overcome this penalty somewhat, private plans can and most major UAW plans do have a special provision whereby at least from age 55 up the worker will go out not only with his full lifetime pension assured—no reduction in amount—but with a special supplement more or less approximating social security.

This supplement, of up to \$150 in current contracts, is paid until age 65, on the theory that that is when a worker can get full social security. This can be an expensive proposition. For example, at one of the Chicago plants I mentioned, we have just computed the extra cost for about 260 workers who are in the late 50's, not yet 60, of giving them this added protection.

By "extra cost", I mean the cost over and above what it would cost to give them normal actuarially reduced pensions such as the pension plan would give them if we didn't have

this special feature, and it amounts for this group of workers to \$5 million, which has to be funded by the employer.

We are a big union; this happens to be a big company. We ask them to step up to this responsibility. We expect the Ford Motor Co. in the Texas closeout to do something similar.

In the Texas situation, there are workers who are not yet 55 and who under our seniority provisions will preserve their right to grow into special early retirement eligibility at 55. So their problem at, say, 52 is to find some job for at least 3 years until they can claim this enhanced benefit, but the private plans should not be expected to meet the whole problem.

Our suggestion for the social security system would be at least to eliminate some of the penalty.

* * * * *

Well, the problem is obviously twofold. Plant shutdown carries a double penalty for the workers involved. They have lost their jobs, and all too often, of course, have lost their pension rights.

The Studebaker shutdown in South Bend is one of the classic cases where both were involved, except for the workers over 60. In that shutdown the Federal Government did have something analogous to this task-force idea, and there was a concerted voluntary local effort, also, to attempt to have these workers absorbed into the community.

It might be of interest to your committee to know that following the Studebaker shutdown, certain parts of the Studebaker plant were taken over by other companies and operated, and some of the ex-Studebaker people were employed there. The foundry of the Studebaker plant was taken over.

* * * * *

This foundry operated for several years employing mainly ex-Studebaker workers. Just recently the company decided to go out of business and contract out the work. Once more the workers were out on the street having their jobs cut out from under them.

Once more I had the unpleasant duty of going to South Bend to work out the termination of a pension arrangement, which was not really a pension plan but did provide some cash severance benefits. So they had a small amount—not enough to purchase a car—on going out the second time. These are men who did not get pensions under the first shutdown.

* * * * *

One of the points that we wanted to bring out here strongly was that we feel the social security system is not only not doing anything positive about this problem but is actually reacting negatively to it in the areas of the penalties incurred by the present dropout rules. We have not even reached the point where men at 62 are treated in the same fashion women

are. For a woman there is no penalty for being out of the labor force after age 62. There is a penalty for men. This is one easy reform.

A further one would be to protect social security rights through something analogous to the old "disability freeze," so that older workers who are dislocated by economic factors—which possibly are part of the price of economic progress but which hit the individual hard—would have their best wage-record frozen. So, if by a combination of special employment efforts, private pension features and other things we can carry the worker through to social security retirement age, he will not have a lifetime penalty of reduced social security. Such action would be possible without lowering the social security age to 55, which obviously, if applicable generally, could be a very expensive thing which many people might question.

We should at least reform the social security system so it is not hampering the efforts that may be made in the private sector to solve some of these problems.

Merton Bernstein, Professor of Law, Ohio University (pp. 1486 and 1495):

Now, what I seek to emphasize is the dubious nature of the proponents of private plans to this effect:

"It is true very large numbers of employees won't make it under the plan they are under. Don't worry about them. They will come home. They will achieve it under a later plan."

But in plant shutdowns that have been studied that tends not to be the case.

In large numbers of instances where plants are being shut down, they very often are older plants, the more antiquated plants. They also are manned by employees with more antique, more antiquated skills, which are not in heavy demand in the pension-covered area. When employees like that drop out of the manufacturing sector, their chances of achieving pension coverage in their new jobs is really quite slight, very small indeed.

This is not simply a blue-collar phenomenon. The rapid rate of conglomerate mergers has led to heavy turnover in managerial ranks. This may lead to some interesting responses in the pension areas, because as the managerial employees who have felt unaffected up to now feel the bite of turnover, of job change, as they experience in large numbers failure to achieve vested credits under private plans, there may get to be a little more muscle in the demand for earlier vesting. Blue-collar workers are not the only ones losing out on eligibility under plans as they now are designed.

and

When I appeared before the Special Committee on Aging in February, I warned that the present design of private pension plans threatened a massive loss of pension credits in defense-related industry. The high scale of lay off in defense-related industry—as high as 20 percent in some areas—just

announced by the Bureau of Labor Statistics indicates that the process is under way.

It is dubious that many of these separated workers will have anything to show for having participated in pension plans despite the fact that, in effect, employer contributions to plans result in lower take-home pay.

This phenomenon is very serious because a very large percentage of pension-covered employees are in defense industry.

With rare exceptions, private pension plans require 10 or 15 years of service with an employer before a separated employee will be eligible for a pension benefit. Due to the off-again, on-again nature of weapons production, few of those being separated can be expected to have achieved the requisite service. Some may be painfully close, but out of luck. Only today I heard of one man employed by an aviation company who is being separated one month shy of the required 10 years.

While I am morally certain of these baleful consequences, the Committee may want to verify this wipe-out of pension credits during the current wave of lay offs and document the extent of it. It should not be difficult to gather data on the number of employees involved, their age and service and the vesting requirements of the plans under which they have worked.

As I have long urged, we need redesign of plans to prevent the double catastrophe of job loss and pension credit loss.

THREE PROPOSALS TO EXPAND PRIVATE PLAN COVERAGE

Noting especially the improbability of achieving wide pension plan coverage among employees of small firms, the following experts advocated new approaches:

Merton Bernstein, Professor of Law, Ohio State University, author of "The Future of Private Pensions" (pp. 1488-89):

What you really need is a national plan, and it need not be a government plan.

I have been trying to persuade people in the private-pension industry that there is a large untapped market here. But they are not very venturesome. They seem to prefer the cozy elite market they now have to getting out and hustling after a larger market that needs serving, which is primarily in the small-company area.

As table 1 would indicate, the life expectancy of small companies is not very good. (See prepared statement, p. 1479.) The great bulk of company failures occurs before companies are 10 years old. And, indeed the great bulk of those occur before companies are 5 years old. So even if you are able to get pension-coverage for these people, employees of such companies—and they tend to be small—they would still be out of luck, they would not have the requisite service.

A large number of people get employed by companies of this sort and should not be counted out of the pension system. What I think we need is a national group plan which would

provide coverage on a low overhead, boiler plate basis to small companies, in which companies could buy in at any level of benefits for their employees with very early vesting, perhaps immediate vesting, and these credits would cumulate so that every year of service counted for something toward a pension.

With sufficiently low-cost coverage, this could result in very wide adoption of pension plans which would mean that more and more years of service would result in effective pension credits, which in turn would mean the unit cost for each year of coverage would be lower.

Now, every discussion I have ever heard, except my own, of vesting says how expensive it is. But that analysis overlooks the fact that if we can redesign the pension system so that almost every year of work would result in effective pension credits, the unit cost would be down. That is ordinarily the way employers figure production costs—not the lifetime cost. It is the unit cost that counts. But we have got to get started.

Now, perhaps the only mechanism for making this possible is a compulsory mechanism. I must say I have not been impressed with the spirit of reform among those who have the most intimate connection with pension plans—insurance companies, banks, many unions. Indeed, the bankers who have not been through the Medicare fight, which was chastening to the insurance companies, are really quite uninterested in pension reform.

I find that insurance companies are much more amenable to reform. They don't necessarily mean what I mean by "reform," but they are interested in improvement. A large sector of the actuarial fraternity recognizes the shortcomings of the private plans and is interested in improvement.

I think the ultimate in improvement would be a national pension clearinghouse, where, in addition to this group coverage that I have suggested, anyone exiting from a pension plan could take the value of his credits so that they would not only be preserved, which is what vesting does today, but they could participate in any economic growth that the economy at-large experiences.

I don't think it is sufficiently understood. Mr. Solenberger mentioned it. He gave an example of an employee being separated from a job, say, in his 30s, I think his example was. He said, what will his benefits be worth at retirement age?

Now, when an employee gets a vested credit today, what it means is that he has a benefit that is figured on the formula at the time he is separated from employment, which if he lives will be paid to him at retirement age or perhaps early retirement age, typically 62. During that interim period the plan for employees who stay on the job may be improved many, many times over. The employee with the vested credit does not participate in those changes.

Even under plans where benefits are renegotiated for retirees—and I agree with Mr. Solenberger that that is the minority situation—I have never seen a renegotiation or heard of a renegotiation of vested credits.

However, if the value of earned credits were to participate in a national group plan as the economy grows more and more productive—and happily it does, and it seems as if that will continue to be a salient feature—those credits by investment would participate in the growth rather than being frozen. Today's vested credits are known as "frozen," and indeed they are. They are frozen without even that slight expansion that you get when water freezes into ice.

Moreover—and this is extremely important—I have never heard of a vested credit that could be used for disability, and yet disability is a very important hazard to workers before retirement age—and it ought to be available for this purpose. If a retirement plan for an active worker provides disability, then we ought to be translating vested interests into potential disability credits. And a national clearinghouse could do that.

Edwin S. Hewitt, Partner, Hewitt Associates, Libertyville, Illinois (pp. 1614-16):

I think that this additional evidence of the rapid acceleration toward maturity that has occurred in the most recent decade is perhaps reason for us to question whether efforts to improve the private-pension system should not be directed toward devices that will extend coverage rather than to measures that risk disrupting the current growth pattern.

At the present rate of maturation, the private-pension system may outgrow the need for the present legislative changes that are being proposed and considered.

Our concern probably should not be with the private-pension system as it has developed to the present time, and is continuing to develop, is covering a substantial portion of the members of the work force. It is doing a good job and likely will continue to do so in the future if it maintains its present direction and momentum.

Our concern, rather, should be with the inapplicability of the present private-pension system to a large portion of the population who are not employed in industries and jobs where private pensions are being substantially developed.

Our attention should rather be focused on those areas where pensions are not an appropriate part of the employer-employee relationship and where we have no adequate tax incentives to encourage their development at the present time.

It would seem that a primary concern of long-range planning for the economic well-being of older citizens is in finding the means for increasing the portion of those who have pension income.

We know that pensions and other forms of retirement income resulting from work programs cannot produce income in old age if coverage does not exist during the working years. We also know that there are segments of the labor force where prospects for pension coverage, in our opinion, is minimal as outlined in considerable detail in the working paper for this hearing.

Now, we do consider that expansion of private-pension coverage is vital and we believe that the time is appropriate to consider new measures to accomplish the desired expansion.

We suggest consideration should be given to the encouragement of voluntary savings for retirement, either through individual saving or employee group saving, but with emphasis perhaps on the individual aspects of it that are not dependent necessarily on the employment relationship and are perhaps related to the individual taxpayer.

Such encouragement could be expressed by extending tax deferment to funds saved for retirement beyond the scope of the present deferment granted only to employer payment to qualified retirement plans.

Perhaps the criticism of the private pension system that has not been adequately emphasized is the inequity that is produced by reason of the limitation of these incentives to those workers who are in industries or companies where the excellent growth record of the private-pension system is applicable.

So, in effect, we are proposing a universal system for private-retirement accumulation which would permit every working taxpayer to exempt from current taxes a portion of his earned income if it is held or invested in a bona fide retirement-income arrangement.

I would like to say that this is the same proposal we made in our testimony before this committee in 1961, again in 1965, and again in our contribution to the compendium of papers for the Joint Economic Committee of Congress.

Under this kind of a proposal, the portion of income exempt would take into account payments made on behalf of the taxpayer by his employer (as currently permitted), payments made by the taxpayer to employer-sponsored plans (not currently permitted), and payments made to any approved registered, certified, qualified retirement-income arrangement (not currently permitted except under tax-sheltered annuities available only to employees of certain tax-exempt organizations).

A universal private-retirement system would offer a solution to the major deficiency of the present system, namely, its apparent inability to achieve broad coverage and would provide the coverage opportunity for those unlikely, under our analysis, to come under the present system.

This is the group for whom the inequities exist. Adoption of a universal system with the tax privilege related to the individual taxpayer rather than limited to application through the employment relationship would appear to lead to the natural achievement of the goals of flexibility, of freedom of choice, of so-called portability, of vesting and of accelerated funding.

William C. Greenough, Chairman, Teachers Insurance and Annuity Association and College Retirement Equities Fund (pp. 1630-31):

The recent government reports mentioned earlier have performed a service in isolating and emphasizing various

weaknesses in many current pension programs. But we must not become preoccupied with weaknesses. We must not satisfy ourselves with claims that these weaknesses cannot be overcome in pension programs—claims that sometimes come from pension experts themselves. We must recognize the tremendous present and potential strength of pension programs. The time has come to consider how government can help, how it can best set the *climate* for the next development in the pension world.

A good many suggestions have been made that the Federal Government should mandate specific provisions for pension programs. For example, it has been suggested that all pension benefits be fully vested after ten years of service. It has also been suggested that the financial stability of pension programs be insured by taxing the strong, solvent ones in order to support the weaker ones.

These recommendations involve a strong government approach, but within that strength is a readily apparent weakness. It is a fact of human life and of political history that prescribed minimums all too often become, in fact, prescribed maximums. And they apply one set of values to differing conditions, thereby tending to destroy one of the strengths of pension systems—their diversity and capacity to experiment and innovate.

Perhaps there are alternative ways of achieving these desirable social objectives. I have suggested elsewhere that the power of the Federal Government to tax and regulate could be placed squarely on the line of establishing a proper climate to promote maximum improvement in pension programs. These suggestions were made two years ago in a lecture given for the Huebner Foundation at the Wharton School of Economics, University of Pennsylvania. (Mr. Chairman, I would appreciate having your permission to have that material, "Pensions Are For People, The ERITD (Earned Retirement Income Tax Deferral) Approach to Federal Regulation of Pensions," read into the record.)

ERITD is based on a new priority: PENSIONS ARE FOR PEOPLE. Perhaps this seems obvious, but our regulatory and tax structure, our competitive approach, the type of pensions generally used and the attitude of many people toward pensions, are more company-oriented than people-oriented. And, almost always, one-company-oriented. It is time for a change in emphasis. Perhaps it is now time for us to reorient our thinking and acting more toward the individual. In order to emphasize the "people" element in pensions, we should now work toward tax and regulatory approaches that will encourage the right developments; and this, in turn, can do much to extend the service of the whole pension field.

As pointed out in the various reports already mentioned, we should have a tax system that will give primacy to those social objectives which can help solve the problem of income for the aged. The present tax treatment of pensions has been helpful so far, but it also needs a shift in emphasis to the individual. This could be achieved by some such system as

ERITD that would provide tax exemption for employer contributions to pension plans at the time those contributions become vested in the individual. We in this country should also reconsider giving a deferral of tax on an individual's contributions during the time that he and his employer or the individual alone is saving for old age. Benefits would be taxable when received.

One of the problems of broader extension of coverage of pensions and annuities throughout the population has been our "employer-oriented" system. If we now put the individual's protection uppermost and set our tax laws to encourage this priority, we can make a break-through to a higher level of pension usefulness and retirement security.

Additionally, making tax benefits available to a corporation only when the individual is actually protected would, I believe, achieve the early vesting, full funding and other desirable objectives mentioned in the Schulz report. Furthermore, the effort would retain the strength of those pension plans that are currently fully funded and socially well oriented, while encouraging continued movement toward even better funding and vesting of pension plans in general.

Congress can, I am confident, as it has in so many other areas, set a healthy climate for pension programs. Essential to this climate is a reordering of priorities to and for the individual in our society.

VOLUNTARY SUPPLEMENTATION OF SOCIAL SECURITY

James N. Morgan, Department of Social Research, University of Michigan, proposed that workers not covered by private pension plans have an opportunity to supplement their expected social security benefit through the Social Security system (pp. 384 and 386):

Looking ahead we find there is a great chance we are going to divide the population into two groups even more, because some people have private pensions and others don't. Some of these private pension plans are going to be pretty good. Other people manage somehow or other to get a house paid for and some savings.

One of our studies shows that when a man has a private pension plan, he gets so encouraged about the future that he saves still more, whereas those who don't have a private pension plan get so discouraged that they give up.

So, we can look forward 10 years into the future to more polarization and more of the problem unless we do something about it.

What I want to propose is that we should allow people now looking forward to retirement to supplement their social security through the social security system, so that they can put themselves on a par with those who somehow or other are in a position where they can start buying a house or work in a company where they will qualify for a private pension.

Not everybody qualifies for a private pension, and they need an alternative. Even if that can't be done, we need to do something about informing people about what those differ-

ences amount to and in some way make up this difference.

So, we ought not only to increase the social security now and increase it in the future, but we ought to provide some special plan for those who do not have private means to supplement it, because it will never be enough for many people's needs.

and

We should provide an efficient national scheme allowing people to supplement their Social Security by additional payments, putting them on a par with those already covered by such supplemental schemes privately operated. Of course there would be questions about whether the funding of such supplemental payments must be handled like individual pensions or can be treated on a pay-as-you-go basis, with each generation helping to improve the benefits of the previous, less affluent generation.

If no such organizational arrangements were possible, the Bureau of Old Age Survivors Disability and Hospital Insurance should still engage in an educational campaign in helping people translate into explicit terms such questions as:

(a) If a man prefers to rent rather than buy a house, how much additional should he put into a retirement fund to allow for the fact that he is not saving in the form of a home equity;

(b) If a man doesn't expect to qualify for a private pension of the substantial type many major companies offer (some of which pay \$200 a month or more), then how much additional should he be putting into a retirement fund to take account of that? In other words, what is the actuarial equivalent in current wages of jobs with and without private pensions?

(c) If the worker needs to make these supplemental savings, what relatively risk-free options are open that still provide a hedge against continuing increases in the cost of living?

It seems quite clear from our studies that some people are not planning for their retirement—in particular those who are likely to have the most problems are doing the least planning, perhaps because they are so discouraged and need help and advice. It is also quite clear that present levels of retirement benefits under Social Security are inadequate and will continue to be inadequate to solve this problem. Not very many workers will qualify for a private pension plan sufficient to make up the difference. If we are not going to increase general Social Security benefits, we must at least provide some organized alternative for those who, not covered by a private pension plan, wish voluntarily to put aside enough money so they too can have a satisfactory retirement.

STRENGTHENING THE EXISTING SYSTEM

Frank L. Griffin, Jr., Chairman, The Wyatt Co., Chicago, Illinois, in preparation for his statement to the Committee, asked 17 pension consultants, the following question: "What in your opinion would do most to strengthen the private pension system in this country?"

The following table summarizes their replies (p. 1651):

Removal of detrimental factors (12 respondents commented here)

Discourage "expansionist" philosophy for social security; hold such benefits to a floor of protection consistent with present levels in relation to pay	8
Reduce governmental interference; simplify IRS requirements; avoid excessive regulation	9
Curb inflation	6

Positive actions that can be taken (12 respondents commented here)

Broaden the coverage of private pensions by encouraging plans for small employers; raise inadequate limits of deductibility for HR-10 plans	7
Make employee contributions tax deductible, whether under existing employer sponsored plans or as individuals	5
Better public relations by the industry, through studies, publication, testimony (three respondents significantly pointed out the need for a change in the basic attitude of many governmental leaders)	8

Minor regulation possibilities (9 respondents commented here)

Require meaningful disclosure and more adequate communication of benefit rights to employees	7
Require fiduciary responsibility; impose restrictions on trustees other than corporate trustees	3
Accreditation of actuaries (through American Academy of Actuaries) to help insure adequate funding	5

Mr. Griffin commented, too, on proposals for encouraging individual savings for retirement by making these savings tax deductible (p. 1651):

From what we know about private pensions, we can also deduce that everything possible should be done to strengthen the private pension movement by broadening the base of coverage under private plans. Several schemes have been suggested to accomplish this. One of the most logical, in that it would open new avenues to employees of small organizations and to the self-employed, would be to encourage individual savings for retirement by making the contributions of individuals for retirement purposes tax deductible currently (taxed upon ultimate payment of the benefits). This would put such contributions on a comparable (though not identical) basis with contributions made by employers on behalf of employees in presently covered employment. Such a procedure would argue for a revision of the present code relating to tax deductibility of pension contributions in order to establish greater equity between those employees in occupations covered by employer sponsored plans and those employees who are not. Specific suggestions on this point will, I dare say, be forthcoming in the not too distant future.

A change of this type would of course have an immediate impact on the U.S. Treasury, to the extent individuals availed themselves of the new privilege. Long range, however, it would not have a seriously adverse tax effect. The most logical time to adopt such a revision would obviously be a time when substantial Federal disbursements for defense or other priority items could safely be reduced.

Aside from the advantage of such a scheme in broadening and strengthening coverage under private pension plans, making these plans an ever more important part of old age security, the scheme has the additional advantage that its encouragement of savings would act as a brake on inflation. Certainly there is no more compelling argument that could be raised at the present time.

Paul Jackson, Actuary, The Wyatt Co., Washington, D.C., also stressed the belief that greater regulation would weaken, rather than strengthen, the private pension movement (pp. 1647-48):

When you have a climate in which there are continual changes, even of a modest nature, in the tax rules that affect these plans you merely focus the employer's attention on the fact that we live in a changing world and raise the question of why he should adopt an expensive pension plan and commit himself to it permanently when the effect of that commitment can change overnight.

Threats of new regulation, or greater regulation, on the part of Government also discourages employers from adopting these programs, and there are even bills that have been entertained in Congress which would in effect result in confiscation of some of the funds already put into private-pension plans if the plans don't perform in one or another desired fashion.

I personally feel that private pensions do a great deal of good, because I deal with the individual calculations, and certify to the benefits of individuals who are retiring. I have met some of these people and I can see at the working end of pension plans just what it is that they are doing. I think they do a great job basically. I would hate to see them discouraged.

I think the biggest thing that Government could do in this regard, admitting the fact that change is necessary in the long run, is at least to leave the American public with the feeling that there is some element of stability here, there is something you can count on.

One illustration of this point is the integration rules which first came out in 1942 or early 1943 and there was a great outcry at the time that the rules of the game had been changed, but at least the rules that went in in 1943 lasted until 1968 at which point there was a ratchet-like change downward. Now, that one change discouraged a lot of people from improving their pension plans. They turned to other approaches, group insurance which at the moment is not federally regulated, pay-as-you-go arrangements, unqualified arrangements, and the like.

And so I think the Federal Government does have something that it could do to assure reasonable growth in private-pension plans—namely, to think through very carefully any changes that are going to be made, to give people advance warning of the changes, to let the public comment on the need for and forms of such changes and then to make a minimum of major policy shifts.

This is my chief objection to Mr. Greenough's suggestion, the changing of the tax rules from A to B. Maybe B is better

than A, I am not an expert on taxes. It is a change, and the employer who is faced with a pension commitment that he views as stretching on into a future which is affected by taxes which change from one year to the next, and rules and regulations that change ceaselessly, is that much less likely to increase the benefits and put more into that plan.

He is more likely to let it wither.

Nelson Jack Edwards, Board Member-at-Large, United Auto Workers, on the other hand, emphasized the need for greater regulation, saying (p. 1451):

Present Federal policy encourages establishment of private retirement plans primarily by allowing favorable tax treatment. In return for such treatment, very little is required. I am proposing that considerably more be required. For instance:

(1) All qualified pension plans should be required to meet a reasonable standard of funding. This would at least assure an intention by the employer to provide assets at some point in time capable of fulfilling the plan's obligations.

(2) Approved plans should be required to include a provision whereby employees who terminate employment or otherwise leave the covered group after a minimum of 10 years of service, retain their ability to receive their accrued retirement benefit when they attain retirement age.

(3) Clear guidelines on the fiduciary responsibility of individuals and groups entrusted with assets of pension funds should be established by the Federal Government, which standards would have to be met.

(4) Requiring private plans, to the extent that eligibility and benefits are based on service, to recognize all service with the employer.

Additionally, new Federal legislation or revisions in existing legislation are needed in several areas to assist private plans to discharge their obligations.

(1) First, and foremost, we urge establishment of a broadly based government program of pension reinsurance by which workers will be assured of receiving promised retirement benefits in the event of termination of their pension plan.

(2) Second, it would be desirable to have the Social Security Administration maintain a register of private-plan participants separated from their employer with vested rights. This would promote better recordkeeping by private plans and permit the Social Security Administration to notify these employees, when they later file for social security, of their vested private plan entitlements and where to apply for them.

(3) As an extension of this idea, the Social Security Administration could—with respect only to terminated pension plans—provide a fund-pooling mechanism to facilitate disbursement of deferred vested benefits for which funds are available at the time an employer ceases operating.

(4) Finally, we urge that the Federal Government issue purchasing power bonds which private plans could purchase

to enable them to provide realistically "inflation-proofed" pension benefits. This would be especially useful with respect to vested deferred benefits due from terminated pension plans.

John F. Tomayko, Director, Insurance, Pension and Unemployment Benefits Department, United Steel Workers of America, made these recommendations (p. 1588):

Under no circumstances should workers who have earned private pension rights by a lifetime of labor lose these rights. When our nation correctly feels an obligation to support those who are incapable of working, its obligation to those who have spent their whole lives working should be clear and doubly urgent.

Two things need to be done to insure the payment of pensions:

1. The law must require that each year during a worker's active life his accruing and past service pension rights must be funded. The goal of pension funding must be to provide that the amounts put away each year during a worker's active life will equal the actuarial value of his pension by the time of his retirement.

2. A federal pension insurance fund must be established which will provide the deficient funds necessary to achieve the goal of full funding by the time of retirement, whenever a pension plan is permanently terminated prior to the date of full funding.

The taxes paid into the pension insurance fund should be determined on essentially the same basis as unemployment insurance taxes are in the main determined. That is, taxes should be related to the use of the fund by each employer. In the case of pension plan insurance, past experience cannot be used. Therefore, it would be appropriate to use a test which would represent the probability of the use of the insurance fund. The most reasonable guide to the probable use of the pension insurance fund is the extent to which the liabilities of the plan have been funded. Thus, a Company which is fully funded should pay only a minimal rate of taxes into the insurance fund, while a Company whose liabilities were only partially funded should be required to pay a proportionately greater rate of taxes into the insurance fund.

This country has been extremely fortunate not to have suffered a serious business reversal since pensions became a major factor in industrial life some 20 years ago. The social crisis that would suddenly arise if large numbers of workers were disappointed in their anticipations of lifetime pensions in their old age, is difficult to exaggerate. The Congress has the responsibility to anticipate and legislate preventive measures in this area which so vitally affects the welfare of millions of wage-earners. Now, when this burden is the easiest for business to bear, is the time to initiate a federal pension insurance plan. Pension insurance is a social responsibility which all business should share. Private efforts to persuade all employers to behave responsibly have failed. The

irresponsible or unfortunate minority of employers who might one day default on their solemn promises to their employees could initiate serious social conflict. Where private efforts have failed, Congress must act.

WHAT PRICE FREEDOM OF CHOICE?

That the working paper on pension aspects served its purpose as "a springboard for discussion" is more than clear from the following dialogue with which the hearings ended (pp. 1664-66):

Mr. HEWITT. A good deal of the discussion during the past hour has focused on the question of priorities that Dr. Schulz raised in his paper. Mr. Jackson has pointed out some of the practical aspects of determining these priorities.

As I see it, there is so much variability in individual situations, needs, and preferences that it would be almost impossible for governmental dictate to prescribe an order of priorities that would be satisfactory in meeting this great variety of needs. The most practical and effective way of resolving pension priorities for the optimum satisfaction of all concerned would appear to require the decisionmaking to occur at the closest possible level to the individual. I believe emphasis should be put on maintaining freedom of choice through normal processes for expressing preferences, such as individuals themselves or their collective-bargaining representatives, rather than on some master overall legislation as a method of accomplishing the social objective you are seeking.

Dr. SCHULZ. May I respond by saying that I disagree with that view? As I have looked at the problems of the aged and the problem of income maintenance one thing which has become clear to me is the difficult problem the individual has in correctly anticipating what his needs will be and what the problems he will face in old age will be. The problems are very large and in many cases, I think, almost impossible for the individual to handle as an individual.

If this were not true I think that we would have a very different sort of income maintenance system in the United States today.

I think social security would be much weaker. I think that private pensions would be completely voluntary which, in most cases, they are not today. If individuals could foresee the problems, they would make the correct decisions; they would make proper provisions for their own economic welfare through personal saving or through group insurance programs of one sort or another. But history clearly indicates that people have had great difficulty doing this.

Apparently they do not foresee the problems—cannot foresee the problems that they are going to face. Even if they could foresee them, such things as inflation, recession, and unexpected death are outside their personal control and interfere with their decisionmaking process. What they thought would be true very often turns out not to be true.

I think our opening panel of old people very vividly illustrated, in certain cases, these problems. As I listened to them I heard them talking about the sort of problems they had and, apparently in many cases, their lack of success in solving these problems. And when they reached old age, they felt the results of problems in a very real sense.

I think a very strong case can be made for private and public decisionmaking in the old-age income maintenance area. Notice I say both private and public. I think it is very unwise to argue that we should put a large measure of the responsibility in this area in the hands of the individual.

I am speaking now not as an economist, I suppose, but more in a political sense. But I do think that economic facts support this view.

Mr. HEWITT. May I add one comment to that? I think we have already emphasized the need for a basic level of protection through Government. But I cannot go along with the paternalistic view that people cannot make decisions for themselves. Nor do I believe that most younger people subscribe to paternalistic decisionmaking.

I have more confidence than you in the private individual decision. Not that each decision the individual makes will work out under predictable circumstances. But I think most of us would still far prefer not to be deprived of the right to make decisions for ourselves and to take our own chances. On this I think I differ with you on the point that the decision should be mandated and made by someone else in a paternalistic way rather than permitting the individual to have the freedom of choice, either acting individually or through employee representatives.

Dr. SCHULZ. I would disagree with you with regard to the use of the term "paternalistic." I would refer to this as a delegation of decisionmaking authority—just as we delegate certain other decisions to our representatives in Congress.

Just as, for example, most people delegate the decision about the education of their children to school boards.

Mr. ORIOL. May I ask a question here, Dr. Schulz?

You emphasize public and private decisionmaking; do you have a breakdown of the division of effort there, where you see the public effort, where you see the private effort?

Dr. SCHULZ. On this I don't think we disagree. That is, when we speak in generalities and talk about basic forms of protection, we talk about the public decisionmaking effort.

When we talk about private decisionmaking, we are talking about the special circumstances of small groups of people. I think we all recognize that you can't do everything with one gigantic national plan, that there is a meaningful role for private plans.

And there is certainly an important role for individual decisionmaking with regard to individual or group action. This is what I was referring to in the private collective decisionmaking process.

The individual can try to provide for himself. Alternatively, you can either get, for example, all the workers together in

one big "town meeting" in the plant to decide what their private pension package should be or you can have them elect their representatives, appointed union members to get together and represent them.

That is a delegation of authority right there. Or you can, as we do now, get a delegation of authority, in most cases through private-pension plans, where union representatives negotiate with representatives of business.

I think there is a role to be played by both public and private decisionmaking. I think this is a very real and meaningful alternative, and I don't think it should be characterized as paternalism.

Mr. ORIOL. The decision we make in the public area may actually increase the number of choices in the private area. It has been stressed that improvement in social security can give private pensions more flexibility in fulfilling their role.

Dr. SCHULZ. This is what I have tried to argue. Not everyone agrees with that obviously.

III. HEALTH ASPECTS

PROSPECT OF A NATIONAL HEALTH INSURANCE PROGRAM

Outstanding experts framed their recommendations for immediate action to improve Medicare and Medicaid against a conviction that the real hope of optimum health care for the aged population and the financing of this care rests on an improved health care system for the total population. This conviction was expressed as follows:

Advisory Committee on Health Aspects of the Economics of Aging (p. 737):

The advisory committee believes that a comprehensive, compulsory health insurance program for all age groups—a program with built-in cost controls, standards for quality care, incentives for prepaid group practice, and other badly needed reforms—offers the best hope this Nation has for living up to the oft expressed declaration that good health care is the right of every man, woman, and child who lives in this land.

Hon. Wilbur J. Cohen, dean, School of Education, University of Michigan (formerly Secretary of HEW) (pp. 1792-93):

Finally, I wish to conclude by saying that I believe that we now must face up to the situation of having a national health insurance program for everyone beginning at birth, and I believe this is important for older people as well. It is not simply a matter of providing people Medicare at age 65. I mean the whole growth pattern. You might say, as many of our physiologists and biologists point out that the individual starts to age when he or she is born. The whole maturation process is simply one continual process. Individuals who don't have good health care in their youth and in their middle age and in their older age are going to have more disability and sickness as they grow older, and as we all know chronic illness has been very extensive—in fact, some people even

believe it has been increasing. Therefore, I believe that based on our experience now we should begin to look forward in the next few years to a national health insurance program that would cover everyone for comprehensive care including diagnosis, preventive care, and the other services that are needed.

Walter P. Reuther, president, UAW (p. 670) :

The "revolutionary" changes which the Administration states are required in the health care system of this country will be achieved only through dealing with the fundamental problems facing us. These involve universal participation and national financing of health insurance, comprehensive benefits and coverage, reorganization of the delivery system, and effective quality controls. It is toward these objectives that the Committee for National Health Insurance is working.

Bert Seidman, director, department of social security, AFL-CIO (p. 654) :

DEAR SENATOR MUSKIE: During the hearing of the subcommittee you very appropriately stated that by perfecting Medicare for the elderly we might pave the way for assuring better health for Americans of all ages. As you know, our advisory committee stated in our report that it was our view that the best way of bringing quality medical care to all Americans would be through a comprehensive system of national health insurance.

I am sure you are aware that this has long been a position of the AFL-CIO. I am enclosing a resolution on national health insurance adopted at the most recent convention of the AFL-CIO in December 1967. This resolution reaffirms organized labor's longstanding support for universal comprehensive national health insurance.

John H. Knowles, M.D., general director, Massachusetts General Hospital, Boston, Mass. (p. 579) :

For reasons I will get to shortly, you have the opportunity here with careful analysis of experience with Medicare and with then improving the program of showing the way for future health insurance for all Americans. I am absolutely emphatic in my belief that health insurance must come, and the sooner the better, for all citizens of this country.

James G. Haughton, M.D., first deputy administrator, New York City Health Services Administration (p. 613) :

This is the challenge you face, gentlemen, and I and millions of our citizens pray that your courage and wisdom may be equal to the task before you, because the health-related problems of the aging will never be solved except within the framework of solutions for all our people.

Harold Baumgarten, faculty of the School of Medicine, Columbia University (p. 914 and p. 935) :

Reverse the trend toward the unrealistic concept of separate health insurance for only the highest risk segments of our population. This is the logic for writing automobile insur-

ance for people only while they are intoxicated. What has it done? This exposes our sick elderly and those who work hard caring for them to continuous and grossly unwarranted criticism, punitive legislation, and disturbingly antitherapeutic regulation.

and

In effect, I am supporting the arguments used to support universal health insurance although I feel some strong modifications are indicated.

Dean H. Fisher, M.D. Commissioner, Maine State Department of Health and Welfare (p. 560):

Obviously, the kind of system that can best deliver medical care for the elderly can probably also best deliver medical care to the young families to which I refer.

Nelson H. Cruikshank, President, National Council of Senior Citizens (and author of the working paper "The Stake of Today's Workers in Retirement Security") (p. 1942):

Old and young alike are dependent for their medical care on the same health care system—or "nonsystem" as it has frequently been called. This system badly needs organization and improvement. Whatever can be done to improve the system for one group in the population will improve the system for all others.

NEED FOR MORE ADEQUATE BASIC SOCIAL INSURANCE

Expert witnesses on health aspects emphasized the inadequacies of our social insurance programs that make for continuing heavy reliance on public assistance.

James G. Haughton, M.D., first deputy administrator, New York City's Health Services Administration, pointed to prescription drug costs—not covered under Medicare—as possibly spelling "the difference between a social security beneficiary's financial independence and his need for public assistance." He said (pp. 608-09):

Our over 65 population carry an economic burden due to health care costs that would be difficult even for a younger working population, and they carry it at a time in life when they are living on reduced, fixed, and sometimes almost non-existent incomes.

The social security system conceived in a period of national financial crisis has not kept pace with the Nation's financial recovery and transformation into an affluent society. Our dedication to the principles of individual initiative has caused us to misjudge human nature and has deterred us from realistically establishing national priorities which might have led to more realistic social insurance programs for retirement income and health care coverage. As a result, large groups of our population supposedly protected from poverty and the costs of health care by social insurance programs find themselves on public assistance and medical assistance.

Mr. Chairman, people do not, as a rule, willingly plan for illness and old age. These are not subjects on which people

like to dwell, and furthermore, the advent of illness is quite unpredictable. I don't know whether it is common knowledge that more than 50 percent of the 55,000 persons receiving old-age assistance in New York City are simultaneously receiving social security benefits which are so low that they must be subsidized by these welfare payments. Neither am I sure whether it is commonly known that 41 percent of the persons receiving Medicaid assistance nationally are over 65 and that expenditures on their behalf represent 45 percent of Medicaid costs.

All this tells me that our social insurance programs are inadequate and that we are using a notably inefficient and administratively costly welfare system to subsidize what is generally recognized as a very efficient but financially inadequate social insurance system. That somehow seems a bit foolish from a purely managerial point of view.

Dean H. Fisher, M.D., commissioner, Maine State Department of Health and Welfare, questioned the logic of a dualistic approach that supplements inadequate social insurance with a welfare program which is costly and cumbersome to administer (pp. 561-2):

Even in such programs as title XVIII we have chosen to complicate already complicated lives by coinsurances, deductibles, assignments, and other "fine print" that the elderly have difficulty in understanding. And I guess on that basis I must call myself "elderly," because I, too, have some difficulties in understanding them. These technicalities, incidentally, make title XIX unnecessarily costly and awkward to administer.

In OAA, I go through all the processes of "buying in," and I have developed computer lists of people, and I finally wind up and pay the monthly premiums for them, and this monthly premium is about two-thirds Federal dollars. I can't see much sense in going through all this kind of falderal for little or nothing.

The social security system itself creates economic and social problems by inadequate basic retirement benefits. A great many people have as their only financial resource the retirement benefits of the social security program.

I have an OAA caseload of about 11,000. The "average" recipient is a 74-year-old widow with minimum OASI benefits. The caseload is some 10 to 12 percent of those in Maine over age 65. We are not highly industrialized. OASI benefits are low. Some 55 percent of my OAA caseload also receives OASI benefits.

It seems to me a little bit ridiculous that this should be this case. For 55 percent of the people, I must now be involved in all the processes of determining eligibility, I must have all the staff services and all these kinds of things to make a simple decision, and that is that an individual has an inadequate financial maintenance base.

By virtue of my operation, I am putting a certain amount of State money into the basic maintenance of these people. But here, again, I am putting roughly two-thirds Federal money in.

It seems to me not illogical to supplement, if necessary, the OASI program with some general tax revenue, and let just one agency send a check to my old-age assistance recipient instead of my sending one and social security sending one, with all the complications again of tying in under part (B) and all those kinds of things.

I think we should ask a serious question as to whether there is any reason at all, any justification for the operation of an old-age assistance program that in effect provides a financial supplement to the basic maintenance income.

Instead of my making out some 15,000 or 18,000 checks per month and all the rest of it, if Congress has problems finding money, I think I would probably be ahead of the game if I would write a check once a quarter and send it to you and tell you to put it in your "pot" and you send the checks to my old-age assistance recipients, only give them a little more money than you are giving them now.

I think that would save all of us a lot of trouble. What this might do, however, might be to free my resources for a much more useful endeavor, because if I were not concerned with the problems of administration, determination of eligibility, and so forth, I might then well be able to design a service program for all elderly people, with an attempt to assist with the many peculiar problems that they have. I might well be able to provide this kind of service to elderly people purely in terms of their needs rather than in terms of any financial standard for eligibility. And I think if I were to do this, then I would be doing the kind of service that might be most appropriate for me, rather than to be involved in a financial assistance program, which is essentially supplemental to the national program designed to achieve a goal of some reasonable income floor.

INTERRELATEDNESS OF HEALTH CARE AND SOCIAL CARE

The essential interrelatedness of health care and social care was stressed by more than one witness, for example:

Harold Baumgarten, faculty of the School of Medicine, Columbia University (p. 914):

Eliminate once and for all the unworkable definitions, now promulgated, which attempt to separate health care from social care. The trend of all segments of medical care is to consider the patient as a whole person, not a disease or an infirmity, and this must include social and emotional factors of his life. Current regulations found in Medicare and Medicaid frequently ignore this trend and in fact reverse it. Please understand that it is valid to consider the providing of a proper environment, in which to regain health as a health care expenditure.

Elaine M. Brody, director, Department of Social Work, Philadelphia Geriatric Center (p. 619):

Your committee has expressed interest in the relationship between the rise of health costs for the elderly and the availability of social services. This points to the question of services and resources which could prevent the neglect of old people which often results in hospitalization, could shorten the length of stay in hospitals, and play a supportive role after hospitalization so that the elderly do not return to the same conditions of neglect which in cyclical fashion result in rehospitalization. Hospitals currently are plagued by their inability to discharge old people for social rather than medical reasons. As a result hospital beds cannot be freed to treat acutely ill people who need them.

The community-based services needed include home nursing care, homemakers, mobile meals, day care for mentally and physically impaired elderly, adequate outpatient services, temporary inpatient care to permit family vacations or to relieve families in time of emergency, and, of course, institutional care which would be available regardless of race or ability to pay.

Community care has been badly neglected in this country. A recent study of the United States, Denmark, and England by Ethel Shanas & Associates found the percentages of elderly people served by public or nonprofit home help services were 4.2 percent in England, 3.6 percent in Denmark but less than 0.1 percent in the United States. The study stated that—

“The number of old people actually helped in their housework, provision of meals, and care during illness is dwarfed by the numbers * * * helped * * * by relatives.”

The overwhelming majority of those ill in bed with temporary illnesses are helped by family members. Of an estimated 350,000 bedfast persons in the community, between 80 and 90 percent depend mainly on the family.

Thus, when families are able to do so, they care for old people at home. I do not believe, Senator, that love and morality can be legislated. Yet it is a paradox that funding mechanisms often put a premium on separating old people from families. For example, in Pennsylvania an indigent sick older person is entitled to a maximum monthly grant of \$121 while he lives in the community, but may receive a maximum grant of \$285 in a nursing home. Why cannot the very same tax dollar, the differential of \$164, be used to pay for homemaker or other services which would enable the family to maintain the old person in the community?

The overriding paradox is the priority given in our society which stresses concern for the young at the sacrifice of the aged. The personal and economic well-being of all the generations are interlocked. If the well-being of the younger generations is to be fostered and family ties with the elderly encouraged, they must be relieved of the overwhelming burden of costly health care for the elderly.

URGENTLY NEEDED STEPS TO IMPROVE MEDICARE AND MEDICAID

ADVISORY COMMITTEE RECOMMENDATIONS

The Advisory Committee on Health Aspects of the Economics of Aging, in the working paper prepared for the Committee, formulated these basic considerations and recommendations (pp. 737-9):

As a vital prerequisite for establishment of a national health insurance program, and while there exists a dual system of financing through social insurance and by general revenues, public and private efforts should immediately be made to deal with demonstrated deficiencies in Medicare, because:

1. Health-care problems of the elderly are still widespread, and they remain urgent.

2. Three years of experience under Medicare have provided invaluable lessons in the operation of a major public health insurance program. The time has come to heed those lessons.

3. Current investigations into profiteering under Medicaid and Medicare have helped focus attention upon the need for cost controls and establishment of uniform standards of care. Such reforms can have a beneficial effect upon the entire health industry and can combat medical cost inflation.

4. Success in improving Medicare will lead to more general acceptance of steps necessary to provide higher quality health care to our entire population.

5. The lack of sufficient consumer representation in Medicare and its almost total absence from State advisory committees for Medicaid is deplorable.

It is not the function of this Advisory Committee to offer a detailed program for action, but it can offer some general recommendations:

The Advisory Committee believes part B of title 18 should be recast, to bring it under the social security payroll tax and do away with premium payments by the aged. This rearrangement would then make possible several simplifications of benefit administration, including:

(1) Permitting capitation payments to group practice plans providing hospital and physician services.

(2) Fostering use of home health services without reference to coinsurance.

The Advisory Committee believes Medicare benefits should be extended—

(1) To include other services and supplies not now covered, and especially those drugs that are important for the treatment of the chronic diseases that commonly affect the aged. Eventually all prescribed drugs should be included.

(2) To eliminate the deductible and coinsurance features of both parts A and B.

(3) To do away with the 3-pint deductible for blood and the 3-days-in-the-hospital requirements for admission to an extended-care facility, and the lifetime limitation on the mental hospital benefit.

(4) To include preventive and diagnostic services more fully, and eye and foot care.

No matter how much money we pump into Medicaid, a mechanism that simply pays bills is not the answer to a problem that calls for improving the delivery system.

Nursing homes must be brought into the mainstream of medical care by truly being adjuncts of nonprofit hospitals. Standards for nursing home care must be constantly raised.

Every encouragement should be given to the expansion of prepaid group practice, a demonstrably more economical and efficient method of using our health resources. In addition to the higher quality and more comprehensive health care provided by such means, the team approach to delivering medical care would permit essential supportive services for the aged in relation to their social and financial problems. For example, the elderly need a place to turn for information on supplementary insurance.

Another kind of social service would recognize problems connected with discharge from hospital. As a condition of participation in Medicare, every hospital should have a discharge planning committee.

The Advisory Committee considers that Medicare has established itself in the daily lives of millions of Americans; physicians should no longer be permitted to refuse to recognize it by not taking assignment of benefits.

The Advisory Committee believes that physicians' fees cannot remain subject to the whims of individual providers of service, if Medicare and Medicaid are to be fiscally predictable and gross abuses are to be stopped. The same is true of hospital costs.

The Advisory Committee believes that standards for physicians qualifications should be promulgated by Medicare to require that qualified surgeons alone be allowed to perform operations.

The Advisory Committee hopes to see greater emphasis on prior budgeting and controls of costs for hospitals, extended-care facilities, home health agencies, and on more meaningful utilization review than is often the case.

There should be more consumer participation in the decisionmaking processes under Medicare and Medicaid.

Since the Advisory Committee anticipates a universal program of health insurance, programs of public medical care based on a means test would disappear. In the interim, while reliance must be placed on Medicaid to help with the problems of the younger poor, there must be far more coordination of the two programs than presently exists. Each can thus benefit from the activities of the other in areas of cost control, quality control, sanctions against abuses of the programs, and so forth. These coordinated activities will smooth the transition to a program of high quality care for all Americans.

Members of the Advisory Committee, in later testimony at the hearing on July 17, 1969, gave additional arguments for their conclusion.

Agnes W. Brewster, Consultant on Medical Economics, in her presentation of the committee's recommendations, stressed the widespread concern over mounting physicians' fees, saying (pp. 492-3):

A few other comments may be in order. Our report shows a concern with physicians' fees that seems to be widely shared. That rationale for paying physicians their usual fees for services to the aged is easily justified; in the past many physicians have accepted lower fees from retired people or given free care because of their limited income. Now a new resource—the contributions of all workers to social security through payroll taxes—has come along to supplant the individual charity work of the country's doctors. But—if we assume that few if any physicians were experiencing really hard times prior to Medicare—you cannot help wondering why—with proportionately more full-pay patients adding to their incomes from private practice—doctors also needed to raise fees above their previous levels. A few doctors have been frank enough to reveal an attitude that they felt they must get “theirs” before the Government clamped down. Others have gone along with hiking their fees just to keep peace with their greedier colleagues. Few have failed to raise their fees far more than the Consumer Price Index for all goods and services.

And, as the report makes clear—the CPI measures only price increases. When a price increase is coupled with an increase in volume, the effect on income is compounded. A 21-percent rise in charges plus a 10-percent increase in patient visits means the doctor's income is up 33 percent. Similarly, if hospitals can raise the occupancy rates of full-pay patients, income will rise.

In our report there are excerpts from the Health Insurance Benefits Advisory Council (HIBAC) annual report about the impact of Medicare on costs. Read closely, these paragraphs sound like a valiant effort to carry water on neither shoulder—HIBAC points out Medicare is not the only purchaser in the marketplace—so Medicare is not responsible for higher hospital and medical costs.

A few paragraphs later the HIBAC report fully acknowledges the sudden price rise that has occurred since Medicare started.

My own view is that, when one is the biggest customer, one's posture does affect price. There is no question that Medicare and Medicaid and civilian health and medical program of the uniformed services—all Government programs—constitute close to 50 percent of the income of many institutions. They have influenced the price and undoubtedly will continue to do so unless both providers and consumers begin to exercise a sense of responsibility.

Bert Seidman, director, Department of Social Security, AFL-CIO, stressed the most glaring gaps in Medicare—gaps which leave the elderly with uncovered medical costs that average well above the total

medical bill of the average younger person—and urged the following changes (p. 495):

1. Parts A and B should be combined as a single social insurance system financing the health care of the elderly. Part A of Medicare conforms to recognized social insurance principles in that contributions are made while the individual is still in the labor force toward his hospitalization needs after retirement. But part B requires the retired person to pay, after he is no longer working, for more than 50 percent of the medical services not covered by part A, principally physicians' services. By combining parts A and B, we would provide for the entire financing of medical care before retirement, thus removing the onerous financial burden of payment of the monthly premium after retirement.

2. To remove financial deterrents to needed health care, the coinsurance and deductible features of Medicare should be eliminated. Moreover, doctors should be required to accept assignments if they wish to participate in Medicare.

3. Medicare should be extended to cover the cost of prescription drugs—and here I would go even further than our report does; I think this should go further and cover all prescription drugs—dental care, eyeglasses and other items whose costs the elderly must now meet out of their limited incomes.

4. Since the changes I have suggested would involve additional costs which cannot be and should not be met by raising already high rates of worker and employer social security contributions, half of the total cost of Medicare should be met out of general revenue.

Melvin A. Glasser, director, Social Security Department. UAW, directed his remarks to the Medicaid program. He identified the basic problem as deriving from the fact that "Medicaid is neither a health care nor a medical care program, it is a payments program for a limited number of medical services," and said (p. 497):

The advisory committee believes that means test medicine implicit in Medicaid and widely varying standards among the States are not conducive to meeting the unmet health needs of the recipients of these public programs. The team approach of physicians and ancillary personnel working together to provide comprehensive health services has been urged by numerous major groups which have studied the problem. This approach is of particular importance to the elderly who require social and environmental services in even larger degree than other sectors of the population. Such care in the judgment of the committee can and should be arranged for under present Medicaid programs. More effective controls should be instituted on charges of hospitals, nursing homes and physicians. Vigorous efforts can and should be undertaken for more effective utilization review not only in hospitals and nursing homes but in physicians' offices. Huge savings could be effected through a courageous attack on this problem.

The advisory committee believes each of these recommendations will help improve the Medicaid program. At the same

time it recognizes that the changes suggested represent palliative treatment of symptoms that the Medicaid program should be phased out, and that the basic answer will have to come through a universal health insurance system which will make possible the reorganization of the methods of delivering health services and elimination of a separate, demeaning, inferior system of fragmented health services for those of the poor who fit into the constantly changing categories of State programs.

S. J. Axelrod, M.D., director, Bureau of Public Health Economics, University of Michigan, identified the following problem areas in our current health care system—all of which are accentuated in the case of the aged because of their lower incomes, their greater need for long-term care, and the Nation's lack of adequate alternatives to hospital care (pp. 498-9):

First of all, there is a heavy economic burden. I would like to point out that the high and rising costs of medical care are an inevitable accompaniment of our increased technology. We can do very much more for people in terms of preventing premature death and controlling disability and we must be prepared to pay those costs. Having said that let me add very quickly putting more money into our medical care system as it is currently constituted does not guarantee increased effectiveness nor increased productivity.

A second major problem has to do with shortages—important shortages of all kinds of manpower, health manpower. These shortages are being accentuated again by the increased technological base in the delivery of medical care. There are important shortages in facilities for caring for all kinds of people, particularly persons who have need for long-term care.

A third major feature of our modern delivery system is that there are important variations in the quality of care.

Fourth, we need to recognize that our system is a nonsystem as the chairman has indicated. Health services are not continuously available to people. It is difficult to get a physician to give care at nights and on weekends. In increasing fashion the emergency rooms of hospitals are being used in place of the family physician and there is some question about the adequacy of the staffing of the emergency rooms in our larger hospitals.

Health services are not available to people in the ghetto. There has been a migration of physicians out of the ghetto. Health services are not readily available to people in rural areas where there are great shortages as has been indicated so many times.

In addition we know there is inappropriate use of personnel and facilities. Highly trained manpower in short supply is being inappropriately used, hospitals with their high costs are being inappropriately used. Along with shortages we have the uncomfortable concomitant of duplication.

Finally, I would say that our American medical care system is characterized by the fact that there is no identifiable

point of public accountability. To whom can the older patient go and say, "I don't like what's going on; who is going to do something about it?"

MEDICARE AND MEDICAID: OVERALL PROBLEMS AND RECOMMENDATIONS
IDENTIFIED BY OTHER EXPERTS

For a comprehensive evaluation of Medicare and Medicaid from the point of view of physicians who administer health services, the testimony of two expert witnesses is cited.

John H. Knowles, M.D., general director, Massachusetts General Hospital, Boston, Mass. (pp. 580-7):

Now what are some of the undesirable aspects of Medicare? First with a severe shortage of physicians and with demand mounting rapidly and far outstripping supply in a free market economy, the price of physicians services has risen sharply. Within certain limits this was all right but this is a problem today to American physicians just as it is to our representatives who are supposed to manage tax money responsibly. Doctors have been too slow to exercise restraint and police themselves.

Second, I would like to say something about deductibles and coinsurance. How in the Lord's name we ever got the idea in this country that people will make a run on doctors and hospitals and that the average citizen really enjoys going to a hospital and fleecing and banging on doctors' doors all day, I shall never know. There are occasional neurotic patients and what have you, and shoppers who for lack of other entertainment will go from one doctor to another and have a good time of it, but most of us, 99.99 percent of us have no desire to see a doctor or go to a hospital. Deductibles and coinsurance are based on flimsy premises and compound bureaucratic redtape. It results in an unnecessary expansion of the bureaucracy, it may even cost more to carry it out than it serves for the taxpayer.

Third, increased automatization and fragmentation of care has been enhanced by this act. Financial considerations have altered the best behavior of well-intentioned doctors and patients. Now the financial consideration should not determine the quality of care, the use or abuse of drugs or the accessibility of doctors or hospitals, and this act has done just that.

A fourth area which has been neglected is the development of incentives for improved management by doctors and hospital administrators. Now this is a very difficult subject. There is a high level Federal committee that has worked and discussed some 15 or 20 different types of positive sanctions to tighten up doctors and hospitals so that they will exercise prudence in the responsible management of public funds. But this is not an easy subject. Frequently the positive sanction which rewards good management will also slop over and reward bad management. The sanction which rewards full utilization of expensive facilities may result in over admission. Sanctions

which reward increased use of low cost facilities may keep the wrong patients out of hospitals.

In all the discussions I have heard about the containment of hospital costs, very rarely do any of the long-winded documents ever start out with the fact that full and proper utilization of the hospital is the one single best way of containing costs.

* * * * *

Another area is dental coverage. I don't think really that you can cover dentistry at this point in this country. The shortage of dentists is absolutely prohibitive and it is all that any of us can do to get an appointment to see the dentist. We have to take more long-range steps to supply dentists and dental assistants before we can prime the pump, raise expectations on the part of 20 million people who need more dental care than anyone else in this room.

Let me say right off the bat that most people by the time they reach 70 or 80 have false teeth or they ought to. If their dental condition is poor, many are eating baby food and are not well nourished. The medical field has neglected the subject of nutrition.

Drugs, however, is another subject. The cost of drugs to individuals particularly with chronic illness may be as much as \$500, \$800, or \$1,000 a year. I believe firmly that with the chronically ill over 65, one must extend the coverage of Medicare to include drugs. Now perhaps for the isolated acute episodic illness, the cost of drugs can be covered by the majority of elderly people. But people who are chronically ill with arthritis, with heart disease, with all the degenerative diseases which require a broad array of expensive drugs, the costs cannot be covered by the majority of the elderly.

May I also say that as the Government and tax funds are used to cover drug coverage I think we can expect more responsible behavior on the part of pharmaceutical companies in terms of quality, and the use of generic names. I think this is very important.

We have had improved quality controls through utilization review committees. However, there are other quality controls that should be encouraged. Here the statement has been made that unnecessary surgery or surgery done by not fully qualified people has occurred and that the elderly who have no way of judging the professional competence of the expert professional should be protected from such practices. We have a wonderful opportunity to improve quality, which all of us deserve.

The Medicare Act continues to drive people into higher cost hospitals without any question. For example, to qualify for extended care you have got to come to the high cost hospital for an acute episode of illness before you can go to extended care facility and stay there for the 30 or 90 days as a result of your hospitalization. You cannot obtain the benefits of extended care unless hospitalized first.

Now that is not intelligent use of tax money. It would be much easier to allow patients—nursing home care is not cov-

ered adequately at the present time by Medicare but must be in due course—to go direct to these extended care facilities from home rather than come by the acute care hospital. It is very hard to be admitted to a hospital for just 3 days anyway and if the stay was this short, we should seriously question whether extended care was needed. On top of all this, because of a general lack of adequate extended care facilities, there may be long delays in discharging the now admitted patients to the appropriate facilities. For example, 10 days at \$100 a day is \$1,000 per patient that could be saved were they to go directly to the extended care facility where it might be \$20 a day for the same 10 days, or \$200. This is a very large issue.

At the Massachusetts General Hospital in the month of June 1969, we had an extra \$60,000 of “day delays” to get into extended care facilities. This is as much as a half million dollars a year that could have been saved the taxpayers if we could have gone direct to nursing homes. I will get back to that subject again because here is a major difference between Medicare and Medicaid, which makes it difficult for us to discharge patients to extended care facilities. The homes won't take them if they are on Medicaid because they either don't get paid, or they get paid less than they get for Medicare patients. A chronically ill patient exhausts his Medicare benefits and is shifted to Medicaid—at which point the proprietor of the extended care facility either throws him out, sends him back to the hospital, or denies him admission.

Finally, there are no provisions for specific medication measures as relates to quality, quantity, cost, and so forth. Health maintenance or requirements for evidence of responsible regional planning by hospitals and doctors have been neglected. Here again if the utilization review committee has been so successful—at least at one hospital in Boston—and if I can sit here on behalf of one of the very good hospitals in this country and say the Medicare requirement of utilization review has improved our quality and our responsible management, certainly the same thing can be done by requiring evidence of regional planning, for example before reimbursement is allowed. I think it must be done, for regional planning can improve quality of care and contain costs.

Now No. 2, Medicaid. Medicaid is very important to the elderly because after they get through their Medicare benefits they are shifted to Medicaid. A very large part of Medicaid concerns itself with the elderly patient. Medicaid is a poor program with no standards and no quality controls. It is implemented largely by State welfare departments which are overworked, understaffed, and almost totally unable to plan the medical aspects of these programs.

Medicaid has degenerated into merely a financing mechanism for the existing system of welfare medicine which is not adequate and must be changed in this country. The pres-

ent law and the present implementation guarantee that it will not be changed. It perpetuates the very costly, highly inefficient, inhuman, and undignified means test in the stale atmosphere of charity medicine carried out in many instances by marginal practitioners in marginal facilities, largely municipal facilities in most of the urban locations of our country.

We estimated in the State of Massachusetts it costs between \$200 and \$300 to conduct a means test, and that is an awful lot of money trying to find out whether a person qualifies for welfare or not. In this country we constantly set out to catch the occasional chiseler. Most people in this country are not chiselers.

Nearly \$5 billion total annually is poured into the same old inadequate system with no improvement sought nor gained. The leverage of \$5 billion is not being used to alter the system and it should be. . . .

So the only way we have tried to improve this program so far is to cut the money back. The program must be improved. You can also save money in certain areas. . . .

In summary, the Medicaid program must establish quality controls and standards at least to the level of Medicare and beyond. Secondly, it must be turned over to State public health departments in terms of medical care and public health programs.

Third, I believe it must have trust financing and be separate from general tax revenues.

. . . There might be a special tax to set up a separate trust fund under Medicaid, or it might be lumped with the social security program itself. I don't think anybody in this country in his right mind would say the social security concept is a mistake at this juncture.

Fourth, good health clinics or neighborhood clinics should be developed which are easily accessible to the people, particularly in the case of the aged, where they can get advice on their nutritional needs and where they can get a comprehensive and realistic advocacy of their particular needs. The use of public health nurses and other health advocates in the community for health counseling which elderly people in particular need.

Many things relate to the health of the elderly—not just the medicine, the doctor, or the hospital. The aged have got to have knowledge of legal services, they have got to know which services are available to them, they must have help in finding at least part-time jobs.

Consumers must participate in improving the system of health services. The guy who eats the meals is a better judge of the feast than the fellow who cooks it, without any question. The consumers have the right to tell us what they want rather than suffering our beneficial offerings which may or may not relate to what they need. This applies to rich and poor alike, black or white, red or yellow. This has nothing to do with the hassle we have had over "maximal feasible participation." We must develop utilization review and quality controls for Medicaid and we must expand these controls

for Medicare. This will help us to improve the system and none of us fear this, doctors or hospital administrators alike. We must develop effective sanctions for good management. This is absolutely necessary.

* * * * *

We must develop sanctioning for doctors. We have got to stimulate group practices and comprehensive prepaid medical care plans. This is not socialism, it is not communism, it is not economically depriving doctors, it does not jeopardize their freedom, they have nothing to fear and this has been proven time and time again.

... The price of freedom from central control is responsibility to the public interest and it has been since the country was founded. The majority of the doctors in this country want to do these things. I am convinced.

Now, finally, we have got to develop the better use of home health services, ambulatory clinics of hospitals and finally the good neighborhood health center for all social and economic classes. We make the mistake today thinking we can only develop these community health centers for the poor people, the very old people, the very young people or some other special group. . . .

Sooner or later health will be perceived as what you and I firmly believe it should be—a right of all Americans to good health. After all, without health you cannot go to school, you cannot work, nor enjoy the quality of life, and you cannot raise your family or serve your country.

Frank F. Furstenburg, M.D., associate director for program development, Sinai Hospital, Baltimore, Md., who documented the gaps in the protection of Medicare and Medicaid from the vantage point of a practicing physician as well as an administrator, offered these recommendations to help close the gaps (pp. 607-8) :

Some recommendations flow from my remarks: Though society is faced with inflationary costs of health services, it is not proper to punish the elderly poor because cost controls were not effectively structured into Medicare and Medicaid legislation.

(1) Drugs should now be included as benefits in new legislative proposals. A formulary with emphasis on generic prescribing is of course indicated. No drug program should be mandated by Congress without including well-thought-out controls on the quality of prescribing and the maluse of drugs.

(2) The coinsurance features, the deductibles in the present Medicare legislation, warrant a second look. They are wrong in principle, for it is the doctor who orders the health services and it is he that should become responsible for the proper use of health resources. From observation of patient difficulties as well as those of providers, the administration of this program may cost the fund as much as it is said to save. Coinsurance has certainly not prevented overuse of service.

(3) The mandatory 3-day hospitalization required to obtain post-hospitalization benefits also merits review. Any alteration of this provision, however, should not encourage

movement of patients into nursing homes without considering alternative methods of care. Indeed, a good hard look needs to be taken at this time at the accelerated placement of patients in nursing homes because such care is now funded. The nursing-home provisions of Medicare and Medicaid may have slowed the development of more socially useful modalities of care for the aged. I refer to such necessary health resources for the elderly as protective housing, visiting housekeepers, and Meals-on-Wheels.

(4) I urge this committee to consider appropriate funding to pay for more teachers in the medical schools and more scholarships for medical students. A crash program to keep medical schools open year round could rapidly double their enrollment. We need twice as many medical graduates educated in an appropriately changed medical curriculum to encourage the practice of primary medicine rather than research or specialization, otherwise we will be left with the two-class health system we now have. The middle class will continue to be served by physicians and the poor largely served by other health personnel. At this time, there is almost no competition in medicine. Patients desperately seek personal physicians. With the limited number of graduates, this monopoly by the providers—the physicians—will continue. Even were Congress to act now to increase the number of physician graduates decidedly, its impact in the practice of medicine would not become effective for nearly a decade.

(5) We must also train a greatly increased number of professional nurses. Our health establishment cannot be manned with quality bedside nursing in the hospital, nursing home, or the community without a large increase of competent nurses. With the tremendous shortage of nurses, special efforts and special appropriations are necessary to meet society's mounting need for nurses by increased student enrollment at all levels of professional nurses training.

(6) Health services must be reorganized around the needs of patients as they live in the community. This means development of group practice with all health practitioners working together in hospital-based or neighborhood health centers. Such groups then become competent to include in their responsibility such socioeconomic factors as adequate housing, work, recreation—all of which are necessary in adjustment of the aged in the community. Then the health professions could become consumers ombudsmen and press for adequate health resources to maintain the elderly in the community by services at home—be they visiting homemakers, Meals-on-Wheels, or transportation.

(7) Furthermore, we cannot continue to authorize payment for more of what we now have without a definite change both in the delivery system and the method of payment. Under Medicare and Medicaid, we have simply paid individual and institutional health entrepreneurs for fragmented care by usual and customary fees or cost. For the elderly poor this has too often resulted in bed care by emphasizing crisis medicine with admission to hospitals through emergency services. We

should then alter individual provider payment to prepayment for total health services with financial incentives for improved services shared by all health personnel.

(8) However sensitive the providers become to the necessary health services, health is too important to be monitored alone by the professionals. Your committee should now consider consumer review boards for health services to work at the local level. Such consumer boards should be funded and staffed. Consumer participation is necessary in judging the effectiveness of any delivery system, the one we have now, "our nonsystem," and any new programs for delivery of care.

I am certain a hardheaded budget officer would and should ask, "Will the services proposed be less expensive to society?" Obviously, one cannot predict that they will—but we can be certain that the answer is not more of what we are doing at present—paying for fragmented care and developing more and more institutional care for many of the sick elderly persons in chronic disease facilities, nursing homes, and mental institutions. We are late in realigning priorities in our society. We need both intent and money to treat the elderly with dignity and to give them the health services they need to keep them independent. "Does our society owe all persons a good life?" My answer is, of course, "Yes." And I add that any society can be measured by the sensitivity of its treatment of the older citizens who deserve both financial and health security.

PROBLEMS AS SEEN BY A PUBLIC HEALTH NURSE

Hazel MacLane, public health nurse for the city of Cape May, N.J., brought documentation from her day-to-day work with the elderly (pp. 1000-02):

Senator Williams, senior citizens are in dire need of complete proper medical care which includes a well-rounded program of services of physicians, diagnostic workup, specialist facilities available in an area accessible to all, nursing care at home by registered nurse and home health aide, good qualified nursing home if necessary.

One of the major problems I have encountered is that most of the senior citizens have a markedly limited income and therefore have difficulties meeting their first \$50 deductible in the beginning of the year. I find a majority of the senior citizens do not meet their \$50 before August or September. I also find these people do not seek medical assistance as readily because of lack of funds and not having met their \$50 deductible. If this \$50 deductible was abolished, I think the people would look for medical help more readily and take care of minor problems before they develop into major problems.

I feel that the clause "they must have an illness which shows progression with care" is not good for some of the patients. Example: If you have an arthritic or a Parkinson patient where there is no improvement toward complete self-

care, they would not be approved by Medicare for meals and assistance with personal health habits such as baths, and so forth. Presently they must require nursing services in order to be approved under Medicare. I feel these people need help desperately along with those patients that we can rehabilitate.

Another problem I find are those between the age of 62 and 65 years old that have had to retire or those people who are on social security disability which are not eligible to sign up for Medicare or receive Medicare benefits. These people who have had to retire due to illness of some sort cannot afford to obtain the proper care. I feel if the age limit was lowered to 62, which is the new retirement age, and include those out on permanent disability it would provide for a more healthy community.

I also have found that a majority of the patients need assistance on bills to have an ophthalmologist examine their eyes. As we all know, glaucoma and cataracts are very predominant in this age group and with proper checkups these people can be helped sooner.

Dental care is another big expense for these people and a majority of times these people will do without teeth and have an improper diet rather than to have that added expense of new dentures or having their teeth taken care of. Along with ophthalmologic and dental care I feel Medicare should consider broadening its law to also include a podiatrist which could help the elderly with proper care of their feet. Example: Just a little thing like keeping their toenails properly trimmed which is one of the most important things. This is something which they are not permitted to do. This is quite an important thing.

Senior citizens have quite a large amount of drug bills to pay and with the present Medicare picture they obtain no assistance with these bills. I find a lot of these people will pay all their bills for drugs, and so forth, and take away from their well-balanced diet to pay these bills.

Other cases that are desperately needed for Medicare patients which at the present time are not approved under Medicare or are termed as luxury or convenient items are Chux which is a disposable pad that is placed under an incontinent person. This assists the family in keeping the invalid clean without having to change the patient's complete bed, or another item found very useful are the Alnight Pampers, which is a diaper which is highly absorbable. These items help prevent bed sores from developing.

The patient lifter is another item which might be considered a convenience or luxury item and yet with a stroke patient or severe Parkinsonian patient it will be a great deal of help in getting patients out of bed in order to help their circulation, preventing bedsores and also help prevent pneumonia from developing by being able to change the patient's position more frequently.

If they amended and broadened the rulings on drugs and supplies. I think it would help the senior citizen and/or

their family to be able to afford these supplies and care for the patient in a well rounded, healthy atmosphere.

Another problem I have found to be a problem financially to Medicare patients is the 3-day hospital stay law. The way the law reads now a patient must be admitted to the hospital for at least 3 days in order to be on plan A and to obtain the services of a nurse and home health aid free for 100 days, or admission to a qualified nursing home with 20 days free and then a small fee per day for the next 80 days. An example of this is a person with a fractured arm who needs assistance with a bath for cleanliness and also someone to help prepare meals.

For approximately the first week they need skilled nursing care along with a home health aide to observe the cost and advise the patient if a problem arises. After this time the patient still needs the care of a home health aide to assist with a bath and also prepare the meals. These people at this time still need the registered nurse for reassurance and psychological support. A lot of our senior citizens throughout the country will seek reassurance from the registered nurse and to talk to from time to time and answer their questions which might seem trivial to some but important to them at that time.

There is one problem with our senior citizens that is not covered at all and that is for custodial care and maintenance care. We have a lot of people who would like to be independent and live by themselves and not have to go to a nursing home for the rest of their life. Eventually these people must do this because they find they have no means to pay the high bills to have someone in their home just to cook meals and do housekeeping for them.

The people I am talking about are not the senior citizens that can do all this for themselves but, for example, the blind, either totally or partially; cardiacs that could very easily live in their own home but are not strong enough to care for a home and to fix a well balanced meal. Some other examples are people who are crippled, have any type of cancer and yet not in the terminal stage. Couldn't there be some way to help these people by having some sort of a housekeeping, homemaking, extended-care service provided with the supervision of a doctor and nurse to assure that full care is given to these people at all times?

Another problem we have in this county, and I'm sure in many other areas, too, is a means of transportation for these people to their private physician, the specific specialist the patient needs, various clinics and laboratories which are available. Of course, in our city we do have the minibus but I know in quite a few communities throughout the country this is quite a big problem to them.

Although up to now I have been giving all the problems I have found with Medicare, in spite of its limitations Medicare has helped our senior citizens a great deal but possibly by broadening its laws to meet the various problems might be able to even give more rounded out assistance to our senior citizens.

PROBLEMS AS SEEN BY A DIRECTOR OF A HOMEMAKER SERVICE

Ann Magee, executive director, Homemaker Service, Cape May County, N.J., brought special insight to the health needs of older people (pp. 996-8):

Under the present Medicare law many of the restrictions actually keep the most needy persons from receiving aid when they most need it.

For example:

1. The need for open lines of communication between the physician and the home health agency, as no care can be given before the physician requests the care and submits a plan of treatment.

2. The limited amount of skilled nursing care that is needed makes the patient ineligible for a home health aide, even though he cannot ambulate, prepare a meal or care for his personal needs.

3. The lengthy time it takes to receive orders from the physician and visit from the public health nurse has used up valuable days after discharge from the hospital, voiding their plan A benefits, and not rendering care at the time it is most needed.

4. An attitude by some professional persons that is a patient appears successful, or has been affluent in the past that he should pay for care instead of using his Medicare benefits.

5. A policy that necessary trips to the doctor, dentist, podiatrist, hairdresser or barber eliminates the patient from being homebound.

6. The involved procedures cause frustration and confuses the already ill patient.

7. Although a patient is entitled to 100 visits on plan A and/or plan B care is discontinued many times before adequate recovery or rehabilitation.

8. Discontinuing coverage with 1 or 2 days notice, not permitting the patient time to adjust to going it alone or make other plans for care.

9. Care discontinued for patient without the physicians approval.

10. Cases discontinued as custodial, in one instance the patient was in reality worse, in fact, expired 3 days after care discontinued.

Even though home health aide care is the most inexpensive it has been the first to be cut. It also does the most to rehabilitate the patient for activities of daily living. Not to say that the physician, therapist, and nurse are not important, their orders for plan of treatment must be given first for us to function, but their time with the patient can be from 5 minutes to half hour weekly, biweekly or even monthly. We are seeing, helping, and encouraging this patient for several hours two to five times per week.

One of the greatest needs is to help the person diagnosed as a custodial patient, one who is going to need limited to increased care for a long period of time. This is when the financial strain to the family becomes too much to bear. Either

through community planning or some provision in the Medicare program, help must be made available to this person.

The present bill, H.R. 10296, which is in the Ways and Means Committee of the House of Representatives may, if it is passed, help to some degree.

Malnutrition is very prevalent with the aged person or couple. Many of them depending on coffee and sweet rolls for the major part of their diet. Within a short time they are too weak to prepare a meal or forget to eat and eventually admitted to the hospital in a serious condition due to malnutrition.

Even though their food allowance is meager, we have had many of these cases where careful marketing, planning, and preparing simple, nutritious meals have greatly improved not only their physical health but they are more alert mentally.

The cost of drugs is another rising cost for the senior citizen. We find people having to spend one-half to two-thirds of their total income for necessary medication. The cost of renting appliances for a long time instead of being permitted to buy them outright costs many times their value.

The increasing cost of our own service is of no small consequence for these people. Since the advent of Medicare our fees have increased 80 percent. This is due to several things. Increased services means increased administrative and office staff costs. The need for more streamlined and detailed records and equipment to function at this level has added costs. Increased rates for social security and workmen's compensation, competition in the labor market has made it necessary to continually raise our wage scale in order to keep our staff and entice additional staff.

Thus Medicare has caused charges to rise, and in the past year limited the service the patient can expect to receive. They are now in a position of high cost and no service, not being able to afford care on a fee-paying basis.

There is continued effort to provide care where it is needed, irrelevant to whether the family can afford to pay. We have fund drives, and projects. Eleven out of 15 municipalities pay us a small amount to help in these cases; regretfully there is always more who need help than funds to supply it. We must also keep in mind that some of these funds must be held in reserve for the struggling younger family who also needs help.

In closing, may I cite just a few of the plights of local senior citizens:

(a) Mr. F., 78 years, confined to bed for 7 years with stroke. Unable to move or feed himself. Wife fell downstairs and broke her hip while caring for him. Medicare provided care for wife after hospitalization and for him for a limited time. After he was termed custodial, his condition became worse and he expired. Even though he was in a worsened condition it was not determined serious enough to change his diagnosis or prognosis. Care was not available to the family through Medicare during this difficult period.

(b) Mrs. R., age 88, lives alone and very senile. Not capable of planning or preparing proper meals. Not aware when necessary for bath or clothes changed. Very deaf, has difficulty on telephone.

(c) Mrs. R., 69 years, returned to home after surgery. Diagnosis carcinoma, prognosis, poor. No care available through Medicare until proper orders from physician and nursing plan made. This patient was without help for 2 weeks before plans were activated.

(d) Mrs. B., 74 years, lives alone, has arthritis and wears a back brace, can ambulate with help of walker. Medicare covered for a limited time, but discontinued after patient improved to point she could put on her brace. Still needing help with bath, meals, changing the bed, and some household duties.

(e) Mrs. M., 89 years, lives alone, totally blind. Not eligible for Medicare because blindness not covered. Needs limited help for meals, bath, and household duties.

(f) Mrs. S., 82 years, completely senile, incontinent and very withdrawn, completely dependent on husband, 84, who finds it almost impossible to lift her when she falls. Has a constant fear that something will happen to him and she will be even unable to call for help.

(g) Mr. T., 84 years, living alone and needs help planning and preparing meals. Has never qualified for any Medicare coverage for home health care, even though he is under physician's care.

(h) Mrs. A., 81 years, suffering from Parkinson's disease, completely dependent on daughter. Daughter cannot even get out of her home for marketing and errands.

There are many more, similar and different in one way or another, but each a very real need. There must be provisions made to care for these people, today in a country where there is abundance of everything. We cannot forget this older person in his illness and need. There must be ceilings on prices charged or increased payments and coverage. How can we not hear this call of need in a country where initiative and inventiveness have been our key to success.

VIEWS OF A HEALTH INSURANCE EXECUTIVE

Walter J. McNerney, President, Blue Cross Association, spoke also from his experience as chairman of the HEW Task Force on Medicaid and related problems (pp. 676-7):

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Our aging citizens are finding that the payments for Medicare benefits are taking an increasing percentage of their rather limited fixed incomes while these benefits cover a decreasing percentage of their total health costs. These factors only point up the need for a better rationalization of our nation's health system aimed at:

(a) the implementation of control mechanisms and incentives for efficiency to moderate the rise in medical care costs; and

(b) the development of new legislation to improve the operation of Medicare and Medicaid.

The problems that we face in providing care to the elderly are not unique to the elderly but rather they represent a microcosm of the general ills which beset our present health care system. Our health industry, presently a 55-billion-dollar industry, lacks a number of the checks and balances that exist in a free market environment.

If Medicare and Medicaid have taught us anything, it is that pouring more and more money into a fragmented health care system is more likely to cause inflation rather than new and better services. So it is necessary for all those involved in the health field to formulate incentives and controls which effectively allocate resources into the most productive channels. Many important controls exist today in the form of self-imposed professional controls as well as other fiscal and legal controls. Some of these controls are widespread (that is, utilization review groups), but are not being utilized to their maximum potential. Others must become more widespread to be effective, while still others are yet to be fashioned.

One problem which has recently come to light due in large measure to evaluation of Medicare-Medicaid patient data is nonappropriate use of health care services and facilities; that is, the use of an expensive care modality when a less expensive care modality would be sufficient. There is no question that such nonappropriate usage adds to the cost of health services and to the expenses of Federal health insurance programs. The increased cost comes in the form of overuse of services and facilities.

A major problem related to nonappropriate use is the lack of ambulatory, preventive and extended care facilities outside of but related to the general hospital. This points to the need for incentive structures whereby such facilities would be constructed and health benefits could then, realistically, be expanded to cover such services. Expansion of benefits is, however, not enough because we are faced with the greater challenge of organizing facilities so that care is coordinated more effectively.

Increasingly in recent years, we have seen new options for organizing care. Group practice, the campus medical center concept, neighborhood health centers and other forms of coordinated facilities and services could provide improved access for elderly persons while at the same time giving greater cost credibility. Such organizational approaches, or care formats, provide one very important means to achieving medical care cost moderation but the selection of a particular care format is dependent upon many things—for example, community organization, geography, population density, et cetera. There is no *one* answer to the problems of organization of services, however, I feel quite strongly that the philosophic premise behind "adequate health care for all the people" lies in the integration and coordination of facilities and service.

The need for coordination of facilities and services becomes paramount when we start to talk of an expansion of benefits under Medicare and Medicaid. A new benefit becomes less than meaningful if our care system is not equipped to provide good quality services in that benefit area. Given that premise, I think it is clear that we must move toward benefit expansion to relieve the elderly of the cost burdens of quality health care.

An initial step that could be taken is the elimination of the deductibles and copayment provisions in Medicare. Such devices, originally intended to serve as incentives for appropriate use of services, have little application in the payment of health care expenses. In addition, they are particularly inappropriate among the elderly, where their potential effectiveness in deterring overutilization must be weighted seriously against their potential promotion of underutilization. Deductibles and copayments are devices which should be reserved for the small repetitive expenses where the costs of administration could otherwise become excessive. Other areas for administrative improvement include a reevaluation of the reimbursement policies in such areas as cost and incentives for efficiency.

Benefit growth is a complex strategy due to both the needs of the elderly on the one hand and the administrative difficulties involved in expansion of benefits to, for example, prescription drugs on the other. Hard decisions will have to be made about price controls, dispensing fees, generic opposed to brand name drugs, and so forth.

However, I feel that we should go ahead and broaden benefits drawing upon the public and private sectors, while seeking professional, fiscal and legal solutions to the controls issue. In the coming years, we should endeavor to expand the benefits to cover: Eye care; dental care; prescription drug coverage on an ambulatory basis; and the whole area of long-term care benefits for the elderly.

In summary, I want to emphasize that good health should not be considered to be an end in itself but rather a means by which our elderly citizens can achieve the full life that they so richly deserve. Keeping their medical needs in mind, we must also seek new programs of income maintenance which will afford our elderly citizens the work and recreational opportunities so necessary for the preservation of self-dignity in the retirement years.

VIEWS OF ORGANIZED MEDICINE

Frederick C. Swartz, M.D., chairman, Committee on Aging, American Medical Association, addressed his remarks to the importance of maintaining health and useful activities, saying:

Generally, in speaking of the economics of aging, we think of the adverse effects which aging has upon the income-producing capabilities of an individual. From our point of view, a major way of reducing the impact of the economics of aging is to lessen the health hazards, to eliminate the concept

that after 65 one is over the hill, and to provide the employment and motivation necessary so that the oldster feels wanted and useful.

In addition, we need an educational program for older people that would place proper emphasis on physical and mental exercise, on adequate but not overnutrition, and on elimination of unphysiologic habits such as smoking. Further, the educational program should be supplemented by a positive health program for the healthy as well as for those with chronic conditions. This, then, would reduce the incidence of chronic conditions and improve life expectancy.

To support the above, let me present our thinking on the subject matter of "aging" as we see it in the year 1969.

Richard B. Berlin, M.D., president, Bergen County Medical Society, N.J., focused on the problems raised by the working paper (p. 918-20):

Which problems should be the concern of your committee? Trustees of the Bergen County Medical Society met recently to discuss this question and subsequently we had an opportunity to see the report on the "Health Aspects of the Economics of Aging" prepared by your advisory committee. Our list of needs and your list were amazingly similar, differing mainly in detail but also in a few basic concepts which cannot be accepted as valid without further documentation. Caution is urged in interpreting statistics in these complex medico-economic areas.

Rising costs of delivering medical care depend upon many factors. The most basic problems arise from increasing salaries and the growing complexity of science and medicine. No amount of hand wringing and chastising doctors will alter this basic condition.

We agree that the cost of drugs is too often prohibitive, even at times discouraging the physician from ordering that which he knows would be best. Your brief states that in 1968 about 60 percent of the elderly had a drug bill of less than \$50 per year. We advocate an insurance plan to cover out-of-hospital drugs for those under Government programs of assistance. A contribution by the patient is necessary to avoid wastage and abuse; for example, payment of the first \$25 toward the annual drug bill. I am authoritatively told, in England where the pills are free, that if the color and taste is not proper, the pills go down the sink; and these drugs have a tremendous cost.

Of greater magnitude is the problem of clogging hospitals with elderly patients. This is largely due to the fact that they take longer to get well, their illnesses are more serious and more complicated. The aging patient is more difficult to care for while convalescing from major illness and either he or his family tends to resist discharge from the hospital as long as Uncle Sam pays the bills. This roadblock must be eased by provision of additional nursing home, extended care, and custodial care facilities. We prefer to have these facilities under private management. We are not convinced of the advantages of connecting nursing homes with hospitals as a general rule although in some cases this might be desirable.

A family should be encouraged to assume obligations to provide for its elders by granting income tax deductions for payments for nursing home or extended care. The current system penalizes the son who pays his parent's way. Many who currently are ineligible for extended care would do just as well in a custodial environment. We would be well advised to examine carefully the facilities for the aging provided in Denmark.

Medicare coinsurance provisions are unduly burdensome in some cases and have failed to deter abuses. We favor an adjustment of these fees without complete abandonment of the concept that a token payment by the recipient applied at the correct time might shorten his hospital or nursing home stay. Funds used under Medicare to pay for health care of the well-to-do would well be put to better use for the needy. A high price has been paid for avoiding a means test.

Thought should be given to provision of transportation of patients to physicians' offices and clinics. Too much of the doctor's time is spent in his automobile and many house call complaints would be satisfied by giving the patient taxi fare.

A program is needed to educate the aging as to the availability of health services, as well as in preventive health measures and nutrition. Research on the biology of aging as proposed in Senate bill 870 of Senator Williams is most worthy of support.

Abuse of Medicare and Medicaid by physicians has been a source of concern for us and a boon to headline writers recently. A judicial mechanism is ready for use in our society to deal with valid complaints. Investigations of most charges of profiteering to date have shown no irregularities. A physician seeing 150 patients daily in the ghetto under Medicare is scorned by the newspapers while an Albert Schweitzer doing the same thing in Africa is sanctified. In addition, a significant amount of money collected by physicians and surgeons is never claimed by them but is turned over to hospital or medical school research funds, as witness recent headlines where two surgeons turned over nearly \$400,000 last year.

There is a rare but growing tendency for overlapping charges by physicians which inflates the cost of care. The surgeon, cardiologist, and general practitioner do not all have to see every patient every day. This condition could be improved if the Government would define "medical necessity" and add a simple checkoff box to their insurance forms indicating treatment by more than one doctor.

We are concerned with the inability of medical schools to produce graduates at a rate corresponding to population growth. Our ratio of doctors to patients in Bergen is 1 to 1,000. This is basically sufficient but physician distribution in rural and depressed urban areas is less ideal. The problem of providing physicians for the ghetto will await solution until more basic ghetto problems are resolved. A doctor carrying his bag of drugs is too good a target for criminals.

New Jersey has until recently depended upon other States to train its doctors. We now have two young schools with se-

rious financial growing pains. We need two more schools in the State and we are ready to staff them. We are distressed and frustrated by the popular allegation that there is a conspiracy to limit the number of medical students by organized medicine. We shall have a school in Bergen County as soon as Federal, State, and local funding can be found. The need for training facilities for nurses, aides, and technicians is no less acute.

Methods of delivering health care are currently being debated before this committee and elsewhere. We caution theoreticians not to alter the present system hastily. Our country is now a Mecca for training physicians from every corner of the earth. What better testimony is there as to its quality? Germany, France, Italy, Britain, and Austria once enjoyed reputations as postgraduate centers. Our fathers cherished the idea of going to these countries for study. Their sons now come to us for the latest and best in medicine. Critics have too readily accepted neonatal death statistics as a yardstick of American medicine. New operations and new drugs and diagnostic methods are almost an American monopoly today.

Your brief, Senator, makes a plea for group practice. Time does not permit a full discussion of this topic but suffice to say that the group will not always attract the best surgeon, nor the most sympathetic doctors, nor does it guarantee economy. We feel that capitation payments foster assembly-line medicine.

We agree in conclusion that Medicare is working well, that it should be reassessed and refined periodically so that trends toward uneven distribution of benefits are corrected. In this light, you may count upon our devoted cooperation and assistance.

VIEWS OF ORGANIZED OLDER PEOPLE

Nelson H. Cruikshank, president, National Council of Senior Citizens, accompanied by four Senior Aides—expert through personal involvement in the health aspects of the economics of aging—presented resolutions adopted at the National Council's 8th Annual Convention (June 5-7, 1969) which called for the following specific changes in Medicare and Medicaid as well as for adoption of a comprehensive National health insurance system (p. 537) :

The convention demanded these improvements in Medicaid :

Restoration of the cutbacks in Federal support of Medicaid ordered under the 1967 amendments to the Social Security Act.

Adjustment for the low income elderly of the definition of "medical indigency" under which States set a ceiling on personal property or assets in determining Medicaid eligibility.

Comparable fees and payments under Medicare and Medicaid so there is no discrimination against any group of recipients.

Action by Congress and the State legislatures setting minimum standards for medical care when it is financed by Fed-

eral or State funds, with adequate provision for enforcement of such standards.

There should be expanded Federal programs offering health care suppliers incentives to meet the need for trained personnel and facilities generated by Medicare and Medicaid.

The National Council supports a bill by Congressman Jacob H. Gilbert (Democrat, New York)—H.R. 10296—to authorize payment for a home maintenance worker as part of the home health services provided under Medicare.

Titles 18 and 19 of the Social Security Amendments of 1965, which set up Medicare and Medicaid, have brought to the Nation's senior citizens a basic health insurance program and, for poor older persons, extensive free medical care.

These two landmark programs have had enormous impact. However, there is a great need to correct inequities and eliminate deficiencies of the two programs.

Widows and the disabled are discriminated against under Medicare. The elderly still are faced with substantial outlays for medical care, frequently beyond their means. Physician fees are often unreasonably high.

The National Council of Senior Citizens recommends that:

All persons entitled to social security benefits be included under the Medicare program.

Deductible and coinsurance provisions of Medicare, requiring the recipient to pay \$44 for the first 60 days of hospital care, \$50 on doctor bills and a fifth of the remaining doctor bills, and to meet other out-of-pocket charges, be eliminated.

Reasonable Medicare fee schedules be set and doctors' bills be paid by the assignment method (payment to doctor by agency or carrier), not by patient.

Hospital stays under Medicare should be extended from 90 days to 365 days.

The National Council of Senior Citizens seeks expansion of Medicare to include payment for drugs prescribed on an out-patient basis (Medicare does not cover out-patient drugs).

Medicare should also pay for all eye care, dental care, hearing aids and foot care. (Medicare does not now cover routine eye care or the cost of eye glasses, routine dental care or the cost of false teeth, the cost of hearing aids or foot care.)

There should be a program of preventive medicine under Medicare, providing without charge to the recipient medical tests and services for detection of incipient illness.

TESTIMONY OF THE DEPARTMENT OF HEW

Hon. John B. Martin, Commissioner, Administration on Aging, listed the following as "some of the problems which older people experience in purchasing quality medical care" (p. 504):

The exclusion of out-of-hospital prescription drugs.

The exclusion of long-time nursing home care from Medicare creates problems for some older people.

The scope of Medicare is not designed to cover comprehensive care at present; thus, certain kinds of care—dental and podiatry services and annual checkups, eyeglasses, hearing

aids and so on—have not been included by the Congress in Medicare.

Some older Americans have difficulty in paying the amounts required under the deductible and coinsurance provisions of Medicare and have few other resources available to help meet these costs.

Medicaid which is designed to complement Medicare is State administered and varies greatly among the States in the scope of services authorized, who is eligible for them, and in the availability and accessibility of services to the needy.

Medical care costs have been rising sharply in recent years. The Consumer Price Index of the Bureau of Labor Statistics shows percentage increases of 7.3 for medical care services, 5.7 for physicians' fees, and 13.2 for hospital daily service charges in the calendar year 1938.

The administration is also concerned about another set of problems which plague the older American who needs medical care; the problems produced by the complex and sometimes confusing system by which he purchases and consumes his health services.

Complex drugs purchased in combinations that may be not only ineffective but harmful; brand name drugs sold at widely varying prices despite identical wholesale costs; patent medicines sold because of exaggerated claims of relief from pain and the debility of age; worthless potions and devices designed to exploit the fear of illness and death; loophole-ridden health insurance plans sold to supplement Medicare—these are examples of the medical maze our system has produced.

A related problem is the difficulty of securing reimbursement for expenditures under Medicare. Many doctors, rather than take assignment of bills under Medicare, shift the burden of applying for reimbursement to the elderly patients themselves. At a recent national conference on the aging consumer, it was clear from the very vocal reaction of the older people participating that this is a major item of frustration.

Ida C. Merriam, Assistant Commissioner for Research and Statistics, Social Security Administration, identified cost as the major reason for the deductible and coinsurance provisions under Medicare (p. 511) and costs and administrative problems as reasons for the limited scope of services (p. 520), suggesting—as had earlier testimony by the Commissioner of Social Security—that changes be postponed until the Society Security Advisory Council had made its recommendations.

While the Department is concerned about the problems beneficiaries may have, both with respect to understanding the workings of the deductible and coinsurance provisions and with respect to meeting their costs, we believe a good deal of further study of the provision and consideration of alternatives are necessary before a recommendation to reduce or eliminate them could, responsibly, be made.

In its recent report, transmitted to the Congress on June 20, 1969, the Social Security Administration's Health Insurance Benefits Advisory Council explored the present de-

ductible and coinsurance provisions but specifically concluded that no recommendation for change should be made at the present time. They further recommended that the statutory Advisory Council on Social Security, appointed this May, study these provisions further.

This Council, which is required by law to study all aspects of social security, including, of course, Medicare, will be thoroughly reviewing the deductible and coinsurance provisions under the program. It would clearly be premature, then, for the Department to take a position with regard to the reduction or elimination of these amounts at this time.

By way of background, I might mention that these cost-sharing provisions under Medicare were included in order to reduce costs, to help minimize the number of small claims and paperwork, and to help discourage the unnecessary use of health services. The main consideration, though, was cost. Elimination of the hospital insurance deductible and coinsurance amounts would cost about 0.15 percent of taxable payroll, while elimination of the cost-sharing provisions of the medical insurance program would more than double the monthly part B premium. It was thought that, with the program paying for the most serious costs of illness, most beneficiaries would be able to budget for the cost-sharing provisions.

The confusion many beneficiaries faced because of these features has diminished markedly since the early months of the program—there is still enough of a problem in this area, however—and the financial difficulties these cost-sharing amounts may create for some of the aged have been reduced to some extent by State title XIX (Medicaid) plans, which provide a method whereby those among the aged who cannot meet these amounts may receive some help. However, there is still a problem in this area that is serious enough to warrant consideration by the Advisory Council.

We all recognize that it would be desirable to extend the scope of services covered under Medicare. We are talking about that for the aged. Now the need for coverage of drugs and eyeglasses and the other things that are mentioned is unquestionable. How rapidly they can be prepared to move, both in terms of the costs and of the administrative problems that are involved, is a question.

Mark Novitch, M.D., Special Assistant for Pharmaceutical Affairs, Office of the Assistant Secretary for Health and Scientific Affairs, with specific reference to the coverage of drugs under Medicare, emphasized the importance of postponing action until after the Dunlop Committee review of the recommendations of the Task Force on Prescription Drugs (pp. 523-4):

. . . This committee has been giving careful attention to the recommendations of the task force and to the data which have been developed in their support. Although they have not yet submitted their report to the Secretary, it is likely that their findings will play a significant part in shaping the Department's policy on a wide range of drug-related issues.

Because we are still waiting the important findings of this committee, the Department has not yet reached its determination about including drug coverage as a Medicare benefit. Nevertheless, there is now substantial agreement among health professionals that some mechanism for assisting the elderly in obtaining vitally needed drugs should be provided to assist this segment of the population in obtaining necessary health care.

IV. EMPLOYMENT ASPECTS

The working paper on "Employment Aspects of the Economics of Aging", prepared for the committee by the National Council on the Aging's National Institute of Industrial Gerontology, provided a wealth of evidence that the United States does not yet have a clearcut, effective policy for maximum utilization of older workers, with the result that early retirement on reduced income increasingly threatens income security in old age.

The authors posed this question (p. 1315):

As we enter the decade of the 1970's, we find a sort of limited, perhaps misdirected, concern among Americans about people who are not working and who are dependent on the working population. This is certainly the impression created, for example, by the current official and unofficial publicity about mothers of dependent children, and by the proposals to take them off welfare rolls through training and employment programs. If we were genuinely concerned about all potentially employable Americans and their needs to be trained or retrained, and about keeping all such persons in the labor force, why haven't we taken equal cognizance of, and attempted to remedy, the rather sharp decline in the labor force participation rate of older Americans? By older we mean here especially those persons aged 60-69.

The authors, while not attempting to offer a specific set of solutions to the problem, identified the following eight steps to improve employment opportunities for older workers (pp. 1324-26):

It goes without saying that the level of the overall unemployment rate is a critical matter for the older worker's job prospects. But there are a number of things that can be done which would at least equalize the older worker's opportunities for employment with those of others in the workforce. The Nation can produce a climate that avoids the welfare-dependency approach that we are drifting into today.

First of all, there are effective ways of training and retraining mature workers if we have the will to do it.

Second, we think that Congress should consider incentives to industry to make training continuous in order to adapt to new technologies.

Third, we need to encourage policies that will keep middle-aged workers effectively informed about the labor market.

Fourth, a rapid increase in staff support to enforce the Federal age discrimination law is urgently needed. And we cannot continue merely to speculate about whether the increase in early retirement is voluntary.

A fifth recommendation relates to a bill to provide a comprehensive program of employment services and opportunities for middle-aged and older Americans, introduced in the U.S. Senate in October 1968 (S. 1480 committee print). A version of this bill, now under revision, should be passed and adequately implemented.

Sixth, the matter of vesting of pension rights needs definitive action.

Seventh, as a way of delaying the "crossing of the Retirement Rubicon" why should we not provide workers, at least those over 55, with *extended* unemployment benefits to increase the chances of their continuing their job search instead of being forced to drop out of the labor force altogether?

Finally, we need to reassess our national policies with respect to the effect of earnings on social security benefits—policies that give no extra credit if retirement is postponed after age 65 and that reduce benefits if earnings exceed specified amounts.

The authors of the working paper concluded (p. 1328):

The price the Nation pays for failure to maximize employment opportunities for older workers is increased dependency. We do not see an increase in dependency as a good tool with which to fight inflation. We all have much more to gain through a national effort to raise our productive capacity and simultaneously provide meaningful job opportunities for older people.

Some years ago, Dwight Sargent of the Consolidated Edison Co. studied the effects of allowing employees of that utility to continue to work beyond the regular retirement age of 65. He concluded that in 2 years studied, the company could *profitably* retain about two-thirds of employees reaching age 65—profitable in terms of productivity and savings in pension costs. These people continued to be producers, better consumers, and better taxpayers.

An important reason for reexamining the apparent trend toward earlier retirement was suggested by the task force on the economics of aging:

"As compared to today's older population, workers who reach old age in the future will undoubtedly have higher educational achievements and can be expected to have better health status; a higher proportion will be nonproduction workers. We question whether there is presently sound ground for believing that they will want to accept patterns of early retirement or even retirement at the ritualistic figure of 65.

In other words, work and retirement patterns that have characterized the past few decades will not automatically be extended into the future."

Until we achieve the ideal goal of making one's year of birth irrelevant in the minds of employers and others, the greatest protection for older workers is the joint effect of economics and legislation, including the enforcement of that legislation.

The authors are not against retirement. We are against *forced* retirement, whether subtle or blunt. We are for a society and economy in which the individual worker can have choices and alternatives under decent conditions—which is the essence of freedom.

The hearings—both those specifically directed to employment aspects and those on other aspects of the economics of aging—provided further documentation of the Nation's failure to formulate policies that assure maximum utilization of older workers and make possible lifetime usefulness of those who wish to avoid conventional retirement patterns.

MANPOWER POLICY IN RELATION TO OTHER SOCIAL POLICY

As an appraisal of the Nation's manpower situation in terms of the general assumptions on which policy could be based, the following analysis is reported in full.

Solomon Barkin, Professor of Economics, University of Massachusetts (pp. 1417-20) :

The basic assumption on which we build our current provisions for the aged is that our social security system prevents poverty and need. We have learned otherwise. Experience indicates that the beneficiaries have also proceeded on this assumption; they have acted on the belief that the benefits would be adequate. Unfortunately, to their misfortune, they have found the pensions to be limited and the restrictions on their further earnings very harsh. The greater number of them are frozen into income levels below those currently defined as necessary to be above poverty. This tendency has been compounded by the provisions and pressures under our private and public pensions systems for early retirement. The lures of receiving benefits and giving up the struggle in the labor market have lead people to choose retirement without full cognizance of the consequences. We are learning that this branch of our social security system as well as others which were conceived during the depression need considerable re-vamping if they are to serve their original functions. The benefits are insufficient and what is worse they have opened up opportunities for retirement for many who should not have taken this course and have temporarily persuaded the American people that they had taken care of this problem. Unfortunately old age poverty, which our social security system was to answer, remains with us.

The second assumption is that the manpower policy system need deal only with the special and particular group of the disadvantaged in whom the public may have an interest at a given time. The manpower system in recent years has been primarily preoccupied with creating facilities and services for the young and early adults, to wrest them from the vicious cycle of poverty. Education, retraining, rehabilitation, maintenance, vocational guidance, and placement are the established course. This work is extremely important; our society must graduate these persons into the mainstream if we are to

rid ourselves of our social sores. But this preoccupation should not lead to the subordination of activities for other groups in the population, particularly for the older and aged population. Recurrently, in the past, special programs were directed to assist in the placement of older persons and the development of jobs for them but this group has lost its primacy. Funds for them in our manpower program are meager.

In calling attention to the unbalanced development of our manpower program respecting the older persons, we are, in fact, highlighting the need for the revival of our dedication to building a total all-embracing manpower program for all groups. If the justification for treating the special groups is that investments in a manpower program are both humanely imperative and socially productive and profitable, there is every reason to proceed on a broad front to implement these conclusions. This extended program should include services to the older and aged workers.

The narrow economic cost-benefit analysis which has hitherto prejudiced public action in favor of the young is misleading in determining priorities or the base for action. It reflects the quantification of limited number of cost and benefit variables. A wider range of considerations of social costs and benefits, some of which can only be qualitatively described and appraised would make it evident that the net gains from such productive services to all branches and groups in the society would be highly profitable. Of course, the services would have to be adjusted to the needs of each group. Among the social factors to be considered is the impact of such aids to the aged and older persons are the effects upon the individual, and national, local, and family morale of preventing widespread dependence in old age.

The Townsend movement in the thirties largely forced the passage of the old age security program of that era. Our country should not have to suffer the costs of disruption, social tension, and frustration in order to create a necessary balanced and adequate manpower program.

The manpower program for the older workers should include provisions for vocational guidance, personal rehabilitation, maintenance, aids to family, education, job training, job redesign, and job development.

We endorse the proposals contained in S. 4180 and urge that its provisions be included within the administration of the total manpower program.

A third assumption on which we have proceeded is that social costs which are not internalized into our enterprise or social accounting systems are no burden to the Nation. We are not mindful that we pay a great penalty in lower productivity from poor health, poor housing, poor education, and unstable emotional life. We have corrected our accounting systems very slowly and sporadically through legislation, collective agreements and other means. Our private economy is currently forced to bear the costs of industrial accidents and diseases, unemployment, poor health, disability, unpaid

holidays, and other similar causes of losses in earnings and personal injury. As the agitation mounts against additional costs carried by individuals, we transfer the onus to the economy and thereby internalize these costs.

Currently, we are doing the same with other forms of despoilation of our human and physical resources and environment: we are compelling industry to an increasing degree to convert processes and products so that their injurious consequences for man and the environment be prevented or avoided. The costs of such action are being forced back upon the economy. We are recognizing that these are injuries and that they truly limit our economic growth and our national well-being and that we must assign costs to them and insure their minimization if not elimination.

The issue before us is even more challenging. Shall we continue to tolerate economic arrangement and accounting systems which allow our economy to shift the costs of its own inadequacies back to the individuals in the form of poverty, misery, frustration, and disappointment? Shall we permit our system to despoil our human resources? Shall we allow it to force our manpower into idleness? We blithely announce that our society is dedicated to the advancement of man's well-being. We are making tremendous investment in our human resource. Shall we permit our economic arrangements to shed its responsibility for employing the people whom society has reared for active participation in the economy? At a time when the public costs are rising for the rehabilitation of physical and social environment and facilities, shall we permit this group to remain idle and deprive them of the opportunity to contribute productively to our economy?

We urge therefore the development of a program of selective employment measures which will offer job opportunities to the unemployed, underemployed, and potentially employable. We have initiated such programs under our drive against poverty. But the provisions are limited in scope and coverage. To use the jargon of the day, they are a mere "token" of what should be done.

American business has recognized its obligations in this field. But the efforts have been limited and largely voluntary. Some inducements have been offered for the employment of a limited number of disadvantaged. Should we not consider a general tax on our private economy so that it directly shoulder this burden and be further induced to develop its resources for this purpose, which is truly one of its fundamental functions? These taxes will be an immediate overt cost which business may resent; but the costs exist and are now shouldered by people less capable of doing so and upon whom it wreaks a great toll. Would it not be more equitable for the total economy to cover this cost, which will ultimately, as a result, be reduced and converted into a positive creative effort.

We endorse the proposal for extended unemployment benefits for those over 55 years of age as an immediate step. It would enable them to participate in complete programs for reorientation, retraining, rehabilitation, and placement.

Such a program would convert the unemployment benefit system into what it should be, an employment guarantee system. Workers who hold themselves available for work should be paid benefits until such time as they find employment or are provided such jobs by the public authorities. Norway has currently introduced such a system for those 60 years of age and over. It is appropriate that this country should also follow this system.

A fourth assumption underlying our present treatment of the aged is that retirement is the appropriate conclusion for a life of productive activity. That such a step is reasonable if voluntary and the benefits approximate the person's prior standard of living goes without saying. If both conditions are not met, the retirement is not the appropriate course of action. Since the vast majority of the aged are presently forced out of the labor market either by unemployment or pension systems and not in response of their own free choice, the present operations are unfortunate. Many persons capable of highly productive efforts and whose incomes are currently inadequate are currently forced into retirement.

The present situation has been aggravated by the operation of our pension systems. Whatever remorse may have previously existed, when aged people were forced to retirement is now absent. The obligations are considered fully discharged by the payment of the pensions however inadequate they may be. Similarly, the increasing disposition to force early retirement to solve internal enterprise personnel problems is another abuse of the pension system. Both practices must be fully reviewed in the light of the purpose of a retirement system which is to permit individuals voluntarily to withdraw from the labor market on conditions which will allow them to maintain adequate living standards.

Currently, we believe, that steps should be taken to permit people to remain employed while they so choose. A system of assured alternative employment opportunities should be established before early retirement is employed.

Immediately, we endorse legislation which would promote vested pension rights. We also believe that the "retirement test" should be liberalized so that pensioners would be enabled to achieve greater earnings than are now permitted. We do not believe that credits for postponement of retirement should enjoy any high priority in the reform of our social security system because the inducement for such continued employment where people are able to maintain their employments are sufficiently great that no additional incentives are needed for the purpose.

We conclude our statement by urging the adoption of an active manpower system for all groups of the population, including the older and aged workers; employment opportunities for all persons when the regular market does not offer them; unemployment benefits to be renamed "employment benefits" and paid to persons 55 years of age and over until they are placed in productive and remunerative employment; a manpower system which should offer a balanced program of service including guidance; rehabilitation, education, train-

ing, maintenance placement and job development; and a tax on industry to assure inducements for them opening up more job opportunities; selective employment projects to absorb the unemployed, underemployed and potentially employable.

Our Nation is dedicated to developing for our population the opportunities for a full and productive life and we made large scale investments for that purpose. We must correct all tendencies within our economy and society which waste and despoil our human resources and inhibit the realization of our goals. Welfare benefits are only a means of tiding over the period until our society devises techniques for assuring the attainment of these goals. Positive programs should make it profitable to our economy to offer productive employment to the older and aged persons. Retirement should occur only through personal choice and with benefits adequate to maintain the person's prior living standards.

RECOMMENDATIONS OF A MANPOWER PRACTITIONER

Rashelle G. Axelbank, former labor market analyst in the New York Division of Employment and Consultant on Older Worker Employment and Retirement Subjects for the National Council on the Aging, concluded an analysis of developing manpower trends with these recommendations (pp. 1190-91):

Advances in technology, the things that I have been talking about, will continue to go hand in hand with uneven growth and decline of industries and occupations. In other words, what I have tried to show is that the tremendous changes in the structure of industries and occupations that have occurred between 1947 and 1966 will continue, maybe not in as pronounced a form as they did during those two decades, but this is probably inevitable in all industrialized societies. For various reasons, preference in hiring younger workers is also likely to persist.

Again, with the new Federal legislation, we hope discrimination will not be practised in so intensified a form, but we know that there are many dodges for justifying upper age limits. I must say sometimes it is difficult to say whether an upper age limit is really an occupational qualification or whether it actually is a disguise for something else.

Although years of schooling among older persons is rising, the gap in educational levels of younger and older generations will not soon be eliminated, may never disappear. I take it that even a decade from now there still will be gaps between the older and the younger generation.

Now, the adverse effects of these tendencies on job opportunities for unemployed older workers would be lessened by a variety of programs and Dr. Sheppard mentioned, I believe, most of them, but I have reduced them to a fewer number.

The first, maybe not in their order of importance, is Government-financed training programs, as far as possible initiated and tailored by employers in response to actual manpower requirements in their industries, which would give rea-

sonable assurance of jobs to older workers after satisfactory completion of such training.

I must say this as an aside. I am skeptical about universal panaceas. When you have legislation that covers the United States of America, it is likely to be thinly spread because there is never money enough for programs of this kind that can do a really intensive kind of job, the kind you would like to see done, and when you have these very large programs of training for older workers, which applies to all States, all localities and so on, from my experience in the division of employment I would say that they are rather superficial in their effectiveness, and for that reason I have somehow or other placed the emphasis on training by employers which is not general but specific.

Now, I know that there are many questions that arise as to how you implement this kind of program. I mean, to whom do you give money, under what circumstances. I must say I don't have the answers here now.

Extended unemployment insurance benefits to workers, along the lines that Dr. Sheppard suggested, to workers aged 60 to 64 who exhaust benefits, provided they enroll in retraining programs which are approved for them by agencies established for this purpose; such agencies might consist of representatives from industry, unions, and the Government.

Again, the words "training" and "retraining" are sufficient. I have seen too much training and retraining done that somehow or other is very disappointing to the workers who have had it, and I think that this is one reason why older workers are to a certain extent reluctant to undertake training. I think they haven't had enough success with it.

I would like to see genuinely improved counseling and placement services in public employment offices.

Revisions in private pension systems to eliminate or minimize the added cost of pension coverage for newly hired older workers are another great need.

Government-created work projects, as a last resort, for persons aged 60 to 64 who cannot find jobs in the private sector are also recommended.

And I say as a last resort because I think it is healthier to put some of the responsibility for the employment of the older person on industry where I feel that it really belongs. I don't feel that they have carried the responsibility sufficiently.

I think it is healthier for the older worker to remain within the industry in which he has spent many years of his life. I think new projects are always a threat to the older worker, especially the persons we are most concerned with, the less educated, the unskilled, the semiskilled, and so on; but there will always be some persons who will never be able to be fitted into the private sector, so I feel there should be Government-created work projects for those persons.

A LIFETIME CONTINUUM

Dr. Robert N. Butler, a research authority and active leader in the field of aging, as well as practicing physician, emphasized the impor-

tance of education, work, and leisure-retirement as running concurrently and continuously throughout life. As background for his proposal calling for a reversal of the current trend toward early retirement and the excessive compartmentalization of life into three separate periods of education, work, and leisure-retirement he said (pp. 1196-97) :

There are occasions when the "disease" only begins after the "cure" has been effected. An example is retirement itself. The presumed "cure" for a lifetime of work, for opening up jobs for the young, for minimizing the socioeconomic disruptions that would follow upon death on the job.

In America, "cure" by retirement is creating grave diseases for many Americans. You will recall the grandmother who felt that, if one dose was good for Johnny, two or three times the amount might be even better. So we are instituting retirement earlier and earlier, and we are administering the dose of retirement almost twofold as the time of retirement increases from a present average of 14 years to a projected average of 25 years in the year 2000.

First is the problem of money. Only one in five persons over 65 is employed, and most of them are in part-time and in low-paid jobs. Yet employment is still the largest source of income for the elderly. Our retirement policies have helped to create enormous poverty among the elderly, which, needless to say, has profound psychological consequences.

Second is the problem of social usefulness. Among the 20 million older Americans is a significant number who have the competence, the physical capacity, and the desire to work, but they cannot find jobs. It has been estimated that there are as many as 100,000 of these jobseekers in the technical and scientific field alone.

Third, there is a disease affecting self-esteem. In our work-oriented society, many but not all people derive their sense of worth from the reality of their participation in the world of work. Although the situation is a complex one, it is of great interest that depression and suicide rise steadily with age among American men, increasing particularly after the forties. Suicide reaches its zenith in men in their eighties.

Fourth is a disease deriving from physical and mental inactivity. It takes an enormously disciplined individual to maintain an active and involved schedule of activities in the huge, black void of retirement, with its absence of structure, and with a much diminished social calendar. The amount of education per se that an individual has is somewhat protective against disuse atrophy of mental functions, but is not as important as the individual capacity for self-generation of ideas and self-education.

The fifth disease affects the younger members of our population. The contemporary imagery of old age—the picture of unproductive, dependent, lonely, wizened, rigid old people—is hardly calculated to attract youth into their own future. There is little to look forward to. Thus, among the "diseases" produced by the benevolent and curative process called retirement is one that goes beyond its effects on the retired themselves.

RELATION OF HEALTH PROBLEMS TO EMPLOYMENT EXPERIENCE

The Working Paper had stated (p. 1315) :

Furthermore, we are not impressed with the argument that a major reason for their nonparticipation in the labor force stems from health problems. There is a growing body of knowledge, indeed, which suggests that one of the reasons for the health problems they do exhibit may be related to damaging employment experiences in previous years.

As an example of the growing body of knowledge, the Working Paper cited the research of Dr. Sidney Cobb of the Institute for Social Research, University of Michigan, who had been examining the impact of the closing of a Detroit plant in 1963 on the physical and mental health of the workers. The hearings provided an opportunity to take firsthand testimony from both Dr. Cobb and Alfred Slote, author of "Termination: The Closing at Baker Plant", a personal account of the experiences of the workers involved in the shutdown.

Dr. Cobb reported a number of preliminary conclusions and put forward these recommendations (pp. 1203-04) :

My preliminary conclusions are :

(1) It is important to remember that change is necessary to progress and that we must not legislate against change. Rather, we must find ways to minimize the suffering due to change.

(2) Though the majority suffered substantially and many have ended up two years after termination worse off than they were before the closing there were a few who were better off and some who came through largely unscathed. Mr. Slote illustrates this in his chapter entitled "Winners and Losers."

(3) In our preliminary looks at the data those who had the most unemployment were the ill-educated and the physically disabled. This is hardly surprising but the importance of education in our rapidly moving technical society needs to be kept constantly before our school-aged children and their parents.

(4) Some of the older workers particularly those over 55 appear to have lost forever their chance of a pension other than social security. This is a serious problem that demands legislative attention for it is predictable that when these people retire they will be impoverished.

(5) During the first 8 months following termination, health complaints, utilization of health services, and the number of drugs taken were all unduly high. As the men became stabilized in and adjusted to their new jobs they appeared to return to a more usual state of health. So far we have not been able to tell how much of this is due to an increase in actual illness and how much to an increase in illness behavior. We think that both things occur. Not only do people have more illness when going through a stressful experience of this sort but also they increase the number of complaints per illness, the number of visits to the doctor per illness and the number of drugs per illness. Further information on this matter will be forthcoming from the final analyses.

(6) Our society has arranged things so that workers are bound to their jobs. Particular efforts are made to bind workers to dying plants. First of all the seniority system has an unfortunate effect because when a plant closes those with least seniority are dismissed first and get the first chance at the available jobs in the area. This leaves those with the most seniority, namely the oldest, to enter the labor market when the best jobs are gone. Second, severance pay is regularly used by managers to induce workers to stay until it is convenient for the company to let them go. This is usually not in the best interest of the worker. Third, employment agencies particularly those run by the Government usually refuse to help a man find a new job until he is actually unemployed. Fourth, most if not all retraining programs are not open to those who are currently employed even when it is completely predictable that the men in question will soon be unemployed. Employees facing termination are not unjustified in their feelings that the world is conspiring to make things difficult for them to make a smooth and orderly transfer to a new job.

(7) It would seem that a significant proportion of those who are repeatedly refused employment and remain unemployed for several months gradually develop the belief that they are not good enough to hold a job. When this belief becomes firmly entrenched, the holder thereof is unemployable because it is so extremely difficult to convince him that he really can do a job.

Based on these conclusions I would make the following recommendations:

(1) It is important to make continuing efforts to keep the importance of education before our young people.

(2) It is imperative that portable pension plans become the rule rather than the exception. As a member of a university faculty, I come under a portable pension plan operated by the Teachers Insurance Annuities Association. If I move to another job, none of my accumulated pension is lost and if I were to go to another university, contributions to T.I.A.A. would be assumed by my new employer. Few if any hourly employees are covered by such portable pensions. Vesting pension rights is not quite enough because this could end up with a man receiving on retirement small pensions from 3, 6, even a dozen sources depending on the number of companies that had employed him. This is not only inefficient but also unfair to the hourly worker with limited education and limited ability to fight the red tape to get his due. Some industrialists would argue that portable pensions would lead to excessive labor turnover. I would argue that the labor turnover would be high only in those plants where the conditions were unsatisfactory and that the portable pension only gives a man the freedom to pursue life and happiness in a manner consistent with our democratic ideals.

(3) Unemployment compensation should automatically provide health insurance coverage, because people on a reduced income usually feel they cannot afford extra premiums as individual subscribers to health insurance and because the unemployed usually have high medical needs.

(4) It should be required, by law if necessary, that plants about to close establish a transition period. During this transition period every possible service should be brought to bear to help the employees find new and suitable employment. During this period employees should be allowed to leave at their convenience to accept new jobs. It is my opinion at present that the optimum length of a transition period will usually lie between 30 and 90 days. In those situations in which a large number of employees are being turned out into a community with few jobs the optimum may be even longer. Of course the management will always want this period to be as short as possible and the employees will want it to be as long as possible. Perhaps the best way to make negotiations realistic would be to have the company forced to pay a penalty for each worker not reemployed by the end of the transition period. The money from such penalties should not go to the workers but should be used to finance services to help the unemployed find new jobs.

(5) Finally, it is clear that employment termination is a social emergency which is costly not just to the individual but also to the society which must support him if he is allowed to develop the belief that he is unemployable. The Midcareer Development Service proposed in S. 4180 should go a long way toward meeting this kind of emergency if suitably trained people can be found to staff this service. It is my belief that sufficient appropriately educated people are not available. I would therefore suggest that the time has come to start establishing at our major universities, colleges of social technology. These colleges should teach humane interpersonal skills based on our knowledge of the behavioral sciences. The graduates of these colleges should be prepared to work with practical human problems in the same way that graduates of schools of engineering are prepared to work with practical mechanical problems. It is this kind of long-range development that must go along with the more immediate tasks if we are to deal effectively with the medical, social, and economic problems that face our older workers. Professor Albert J. Reiss, Jr., chairman, Department of Sociology, University of Michigan, has made an admirable proposal in this regard.

Mr. Stote's testimony included these illustrations of the effect of the plant shutdown (pp. 1200-02):

It was a small, 600-man factory, in a big city. Detroit would not fall apart when Baker folded. In fact, apart from the men and their families, few would know Baker had gone. Times were good. The auto industry was booming.

One man, I will call him Henry Burns, told me: "I was sure I could get a job. Times were good. I was in good health. I had a skill. I was a jitney driver. I was only 58.

"Well, mister," he went on—

Burns got lots of sympathy, but no job. He looked first for a job in a paint plant. He was 58 years old. There was no job. He looked vainly in other paint plants.

The Burnses went into their savings. Burns would not take unemployment compensation. They cashed in their severance pay bonds.

Finally Burns found a job as an ash handler in a large automotive factory. It was a nightmare for him. He had 26 years of seniority built up at Baker—a small factory, and now all that was out the window, and now, at the age of 58, he was starting from the bottom again, having to work on rotating shifts as a replacement, never being able to get to know anyone. Coming home late one night from work, Burns fainted on the sidewalk. His wife made him quit that job.

Two weeks after his 59th birthday, on the advice of a friend, Burns returned to a paint factory that had previously rejected him, and to his surprise, they hired him, but first he had to sign away pension rights. Compulsory retirement was at 68. Ten years' seniority, according to the contract, was required for a pension.

Burns today does not see that his previous rejection by the paint company a couple of months before, when he was 58, might be connected with the pension contract. As Burns puts it: "I guess I was just born wrong. I missed an early retirement at Baker by 1 year, and a pension here by 2 weeks."

* * * * *

A good number of the men at Baker are bitter about the Federal Government's lack of interest in them. They could understand the company not giving a damn about them, and many felt that the union did not really care, either, but the Government somehow should have cared. As Henry Burns put it in a moment of anger: "They got laws protecting rapists and murderers, but what are they doing for poor slobs like me?"

The men are bitter about not being offered the opportunity to move to the new plant in Ohio. "I wouldn't have gone," one man said, "but it would have been nice to be asked."

My feeling is that few of them would have gone. Occupational mobility is something that belongs to the military, junior executives, and college professors. Few factory workers want to leave the place of their roots. Ohio can be light years from Michigan.

In fact, one guy told me, "Ohio is a good place to visit, but no place to work," and he living 30 miles away from the Ohio line.

The company officials knew this, but did not want to take a chance. For them it made better sense to train Ohio farm boys from scratch than to try to retrain older Detroit workers who, according to the company, were set in the old obsolete ways of an old obsolete plant.

This may well have been, but the fact remains that this old allegedly obsolete plant in Detroit was making money for the corporation right to the very end, and just as important: a group of human beings were functioning. Now that plant no longer exists, and a group of human beings are no longer functioning.

It was not only the hourly who were hurt by the closing, but salaried men, too. The sickest men I met were the last plant manager, who took early retirement, going out with the plant, and the last production manager, who also took early retirement. One had colitis, the other denied the reality of the closing, and had not had a visitor in his house for 3 years. I had to interview him through a crack in the door, and it was raining. I stood in the rain for a half hour talking to him, and he kept apologizing for keeping me out in the rain, but he said he just had not had a visitor, did not want to talk about the plant, and promptly talked about the plant for a half hour while I stood in the rain.

Out of seven Detroit-based salesmen in the company, three died during the closing. The more a man has, the more he stands to lose.

I could go on about the men of the Baker plant, but I would just say this: these were men who liked their work, who were making money for the company. A faraway corporate decision (perhaps a sensible decision, from a business point of view) separated them from their jobs. They were humiliated, could not bounce back, and today a good percentage of them are ill.

Part of the problem lay in the length of the closing. Two years is a long time, time enough in which to disbelieve that a good place to work is going to be no more, time enough to be truly shattered when the end comes.

Most of the long-term seniority hourly workers stayed to the very end. They stayed for severance pay, they stayed because it was a good place to work, they stayed because right to the end most of them did not believe it would actually happen. After all, they were working, were producing, were making money for the company.

But they were not making enough money. More money could be made elsewhere, and with younger men. The plant had to go, and they with it.

I do not believe that we should stop automating factories, stop progress. But as Dr. Cobb says, the test of a civilized society is how well it takes care of its losers.

The men of the Baker plant were losers, and I think this Nation is resourceful enough to find ways in which to help them and others, for this is a tale that will be repeated again and again in our rapidly changing society.

ASSESSING FITNESS FOR CONTINUED EMPLOYMENT

Leon Koyl, M.D., De Havilland Aircraft of Canada, Ltd., prefaced a detailed description of a specific method of assessing the fitness of older workers for employment, with these introductory remarks (pp. 1272-73):

The philosophy underlying the initial plan is still valid in our two countries. An older person should have freedom of choice and action. If he wants to work, or has to work and is fit to work, he should be able to work. If he does not want to work, does not have to work, or is unfit for work, he should not have to work.

It is unwise to categorize older people because they run the same gamut of ideas, emotions, desires, wants and skills as younger people. There are some positive and negative percentage differences in their capabilities due to their having been alive longer.

However people at age 65 can be divided roughly into three groups. First there is a group who have become unfit to work or who have been straining their residual capacity in the last few years of their work life and are glad to retire to a restricted environment with less physical or emotional pressure. Some of these become unfit before normal retirement age and our assessment techniques must be capable of measuring this change.

Second there is a group who have been interested in their work chiefly because of its dollar value and have been relatively passive participants in the work scene, no matter how successful. This is the group for whom Fort Lauderdale keeps its park benches painted green. Mr. Walter Reuther of the U.A.W. once said that anyone who spent 25 years—8 hours a day tightening the same four bolts on the chassis of a car and did not want to retire as soon as possible, was an idiot. Many of these people have developed avocations which may be productive economically but at the very least keep many of our secondary industries going.

The third group are those who arrive at age 65 physically competent and interested in their job. Their job is their hobby and their hobby their job. They fall to pieces rapidly if they are forcibly retired for socioeconomic reasons. In general these are highly skilled persons but many are not. The night cleaner at our hospital belongs to this group. He takes pride in his work and helps to make a night call to the hospital pleasant.

In our inquiry, therefore, we are interested in approximately two-thirds of the older population: Those who have become or are becoming unfit as they approach retirement and those who are fit, willing and competent to work beyond "normal" retirement ages.

The scale described by Dr. Koyl is also applicable to the redesign of jobs to fit capacities without regard to chronological age (p. 1292).

Dr. Koyl distinguished the question of fitness from that of skill, saying (p. 1274):

Obviously the missing element was an accurate, objective method of assessing fitness to work. Fitness must be distinguished from skill. There are innumerable well standardized tests of skill and this subject is not discussed in this paper. In most cases for a government or industrial department, the skill of the long-term employee is well known. Therefore it is not a problem except for certification that such skill persists on a lateral transfer within the company or when a lateral transfer to a new company occurs. Occasionally when an elder employee returns from illness there is some question about the retention of his previous skills. His supervisors can

readily make a rational judgment about his residual level of competence.

More often, however, the problem is whether the employee has enough residual physical ability to use the skills he has nurtured over the years. Similar questions are: Whether the employee has the physical and mental resources to keep working for another year, to be promoted in his flow chart, to bump another employee due to his seniority and take the junior employee's job or to accept a lateral transfer from one flow chart to another because of changing manufacturing requirements. When there is any doubt about any of these situations, particularly if the choice for the employee includes a change in income or job interest, it is important to have an objective method of appraisal.

STRENGTHENING GOVERNMENT'S ROLE

The hearings pinpointed a number of areas where intensified effort by the Federal Government to carry out its existing responsibilities could significantly move the Nation ahead to an improved manpower policy.

Testimony by representatives of the Labor Department cast doubt on whether sufficient staff effort was being exerted to implement the objectives of the Age Discrimination in Employment Act of 1967—the Department has 1,000 investigators working on all aspects of the Fair Labor Standards Act, spending “not over 10 percent of their time on age discrimination,” or “an equivalent of 100 men trying to implement this on a national scale” (pp. 1178-79). Also, the study of institutional and other arrangements giving rise to involuntary retirement, required by the Age Discrimination Act of 1967, had not yet been undertaken.

OLDER WORKER SPECIALISTS

Charles Odell, former Director of the U.S. Employment Service, when asked at what level of government is it determined that an employment security office will have older worker specialists, replied (p. 1233):

Well, essentially the decision is a funding decision, at least that is the way the Federal-State employment security system works since it is 100 percent federally funded.

There was a time when, through the efforts of the House Appropriations Subcommittee for Labor and HEW, we had an identifiable kind of earmarked budget for older worker specialists which we in turn interpreted to the States and mandated in terms of their responsibility for setting up and training this kind of personnel. That earmarking concept has been dropped for a variety of reasons, not the least of which is that we are in the process of trying to integrate and consolidate three or four different streams of funding in the entire program.

It was felt that this categorical kind of funding for youth on the one hand, and older workers on the other, was inconsistent with the flexible use of the funds.

Now we will have a sizable corps of older worker specialists in the States and we are trying in the redesign of services, that I described rather generally this morning, to put those people to work where we feel their expertise is most badly needed, and that is in the process of providing support to older jobseekers in the business of making the right kind of judgments and decisions about what kind of work they should be looking for and where and how they should look.

CONFLICT IN FEDERAL POLICIES

Captain Robert L. Tully, first vice president, Airline Pilots Association International, called attention to a Federal requirement that conflicts with national policy on age discrimination (pp. 1246-47):

Since 1959, when FAA established its compulsory retirement regulation for airline pilots, some 700 airline pilots have been forced into retirement at their 60th birthday, even though their current, FAA-required physical and proficiency examinations have shown them to be competent, qualified, and in faultless physical condition.

Currently, age limitations are also being urged as a means to limit the progression of senior airline pilots to new aircraft types, primarily because the age 60 limitation reduces the period in which a carrier may amortize its training costs. As a consequence, one arbitrary age limitation tends to give birth to another.

The most striking feature of the compulsory retirement rule for airline pilots is that it is imposed by an agency of the Federal Government, and at a time when our Nation's policy is unequivocally opposed to forced retirement in any form.

We airline pilots have the rather dubious distinction of being the only group of employees in private industry, so far as I am aware, on whom the Federal Government has imposed a mandatory retirement age. And with the enactment of the Age Discrimination in Employment Act of 1967, our employers, the airlines, were legally forbidden to terminate careers solely because of age, though this is precisely what FAA is doing today, as it has been ever since 1960.

We deny the fairness and wisdom of permitting a Federal agency to engage in conduct which would be illegal if practiced by our employers.

There is good reason to doubt the validity of career limitations for pilots based solely on age. A number of airlines have privately expressed doubt concerning the need for the regulation. Available medical studies strongly suggest that the age 60 cutoff is unsupported by scientific or medical evidence.

A 1969 thesis issued by the Aviation Medicine Research Laboratory of Ohio State University concluded that the possibility of sudden incapacitation among airline pilots at age 55 and above was substantially less than the possibility of such an occurrence between ages 40 and 55.

In addition, Dr. Proper's studies of airline pilots at Lovelace Foundation show that his cross section of pilot subjects has aged less rapidly than the general population, and that, when

compared to notions of chronological age usually associated with the general population, these airline pilots are physiologically much younger than their years.

The FAA has never offered any medical or scientific data supporting compulsory retirement at age 60 for airline pilots. A federally funded study of this subject matter conducted at Georgetown University under FAA auspices some years ago ended without any published findings, after an expenditure of several million dollars.

Following compulsory retirement, former airline pilots are immediately confronted with drastically changed circumstances. Although they remain robust, energetic, and highly motivated, they suddenly find that their sharpened skills and experience are no longer usable.

There is no gradual transition for them, and the senior captain who commanded a Boeing 707 on his final flight must, on the day after his 60th birthday, somehow adjust to an unproductive life.

The airline pilot's relative youthfulness, resulting largely from the rigid physical qualifications of his profession, combined with his forced early retirement, cause the allocation of a relatively greater proportion of his life to retirement, though this is repugnant to him, physically, emotionally, psychologically, and economically.

An airline pilot's earnings tend to increase as he approaches age 60, and will normally be at their peak when retirement occurs. As a consequence, the trauma of his sudden loss of productivity is underlined by the equally sudden and substantial loss of income.

The value of pilots' negotiated retirement benefits varies from airline to airline, and these benefits may often be insufficient to permit a reasonable standard of living. Because normal social security benefits are not available until 5 years after retirement, a pilot's financial maintenance during his retirement years may well be a subject of serious concern.

EXPANDING GOVERNMENT'S ROLE

Harold Sheppard, principal author of the Working Paper, challenged those who advocate Government as an "employer of last resort," saying (p. 1194):

I was surprised to hear Government as an employer of the last resort, because I think a lot of people, including some Congressmen, have done a disservice to the whole question of employment in the country by using the term "Government employer of last resort." I think the more critical way of looking at it is there are many public services we need in our society which are not being provided and I don't care whether it is done through the private sector or public sector, but if they are public services, the Government will have to pay for it, you and I will have to pay for it. You and I are suffering because of the lousy air pollution going on in the big cities in this country. Many people could be hired for tackling this

problem, including older people. I don't want to elaborate any further on that.

I think it is important to have the Government as an employer in the public service sector, and in the process you create jobs. You are also furnishing services, regardless of the age of the person to do it.

Blue Carstenson, director of Rural Man-Power, Green Thumb and Senior Member Programs, National Farmers Union, spoke to the possibility of expanding the public sector (p. 1819):

I was up in Jersey yesterday meeting with the State Advisory Committee of Green Thumb and State agencies, and we talked about all of the thousands and thousands of jobs that need to be done in New Jersey and this can be done in the public sector.

I am talking about the jobs which can be provided, and I know of not a single person that I have met on public welfare who was not disabled who would not prefer to have a job. The poor continue to say in every community action agency, in every program we have ever created, that what they want is a job if they are physically and mentally able. They don't want anything else.

We keep jamming this other stuff down their throats, welfare and all the rest, and what is really needed is an opportunity for a job, a chance to be useful, a chance to be productive. Goodness knows, we could put a lot of these people to work tomorrow on problems of environment, problems of pollution, a whole host of jobs.

We could revolutionize the whole health care situation if we could create enough health aides and enough medics utilizing the skills of persons who are not now employed and who are poor. We could do something about health care rather than just continuing to bemoan the fact that we are not making any progress, and in fact, we are falling behind in our health care situation in this country.

Dr. Carstenson also suggested the double use of public funds by earmarking a portion for employment of low-income persons (p. 1822):

* * * the possibility of setting aside a certain proportion of the pollution and environmental funds, may be only 2 or 3 percent, which they would use to employ older low-income persons to do the work. We really need to get double duty out of money. Federal and State moneys, and we ought to start looking at all public service jobs and saying what portion of this can we use to employ older people in these jobs, who desperately need them.

There are an awful lot of jobs, as we have been able to show in Green Thumb and in Green Light, and in these jobs we have been able to place them. These people have got the skills, they have got the ability, they have got the enthusiasm, they have got the talent, and if we will just make room in our public policy so that they can employ and encourage them to employ older people, then we will get the kind of jobs that we are talking about.

For example, on the Federal road programs, now I would daresay that practically none of that is going to employ older poor persons. Particularly the restrictions that were put onto them in the way it was operated, it just pretty well precludes anybody over 65.

* * * * *

We think that we need to make double use of our public funds, not just do the job on open space or highways or on environment or even education. For example, I think you well know that I came up here to the Hill when I was working as a legislative representative for the Farmers Union, pushing for Federal aid to elementary and secondary schools.

Frankly, too much of that has been wasted. I am very sorry about some of the things that have happened in that program. I am thinking here of Helen, where I think if money had been much better spent, if we could even have employed maybe a quarter million teacher aides and library aides and others where you get double duty, and I guarantee you that Helen will do a better job than with some of the things that have been happening with that money.

PART-TIME EMPLOYMENT AND SERVICE OPPORTUNITIES FOR THE RETIRED

In no way lessening the urgent need for an all-out national effort to provide maximum employment opportunities for older workers and to retard—or hopefully reverse—the trend toward early retirement, there is also need for creating further opportunities for older people to supplement their retirement income through meaningful work opportunities. The psychological benefits derived therefrom, almost more than the financial gains, were emphasized in the following testimony from seniors—the real experts—who have participated in demonstration programs to provide part-time, noncompetitive employment for the low-income elderly. Their comments on the values derived from being useful, as well as the financial help, serve as an urgent plea for an extension of these opportunities to the elderly throughout the Nation.

Helen Hayner, Antigo, Wis. (pp. 1828 and 1830) :

I am very thankful to be here, also to be on the Green Light program. It has been a lifesaver to me, although as Dr. Carstenson said, I taught school. When I taught school, the rates were not at all high and the teacher's pension and social security were based upon the earnings, so there was not too much to live on. So I have been doing all kinds of odd jobs until I got onto the Green Thumb and then, now, on the Green Light.

This has helped me so much. While I was not earning much of anything, I got way behind on my taxes, so I have been paying up delinquent taxes and loans and such as that, and it has really been a lifesaver to me.

The same thing has been such a help to the other girls in the group. Some of us are working as teacher aides in the schools, doing different types of work, some as welfare aides, some on lunch programs and such as that and also the li-

brary as aides. I have done quite a bit of work in the library, too. Also, we go to Outreach programs.

You spoke about transportation for the elderly as a problem. There is a case in a little town right near Antigo where I live that one of our Green Light members brings in an old couple up in their eighties; she brings them into town at least once a month to go to the doctor and get drugs and food supplies and such; otherwise they would have no way to get in at all.

We have one girl who is working with the welfare department, going out and calling on older couples who are sick, also shut-ins, and helping them in whatever way. We could get a great many more people to work on all this.

Oh, yes; on this outreach, we all go to see some people who are shut-ins, invalids and, sick, to call on them just to pat them on the shoulder and make them feel better and do a little work, help them in whatever way we can, run errands and shop with them. We are hoping to continue this work and broaden out because there are many people who really could use a job, very, very well, but this depends on the contract and on the funding of the program.

I personally have been very happy to be on it, and all the girls are. I know some of them have changed very much. They get out more, they meet with different types of people. It is social, and well, what would you say—mental help as well as financial, and may I say one more thing. For quite a little while now, the biggest worry that our Green Lighters have—and, I think, probably quite a few of the Green Thumbers, too—is: Will there be a new contract? Will we be funded? Can we keep on working? Because everybody says: "I don't know how I will get along without Green Thumb or Green Light."

John Crosby, Wheatland, Pa. (p. 1832):

I am from Wheatland, Pa., just outside of Ohio. I am working about 60 miles from Ohio, where we work at what we call the Sandy Lake. We work in water, forest, and the dam. We fixed that, and we are making park areas. We are raising fish, too, and enjoy ourselves, and I have enjoyed it very much. This is the third year that I have worked. The first year, I worked only about 2½ months, and the second year, I put a nice turn in because I didn't make the limit, I believe, last year.

I was a foreman part of the time and my income was poor, and by being on Green Thumb, that gave me a big hand and I was able to help some more people out of that. I am age 72, and I feel like I could do just about as much as I did when I was 42.

But anyway, the Lord has blessed us, and we have enjoyed it. There are lots of people where we are working, that if they could get an opportunity to be on this job, they would work. We could use at least 50 more men to cut timber where the pond is, you might call it a water forest for fishing and boating. We cleaned that out beside the highway so that people might be able to get down in there and see it.

We are putting out trees in the State park and I think we could use another 75 men. Forty or 50 have filed applications that would like to get in there to work to make a little something or other. Some of the people that have applications to work, have not made, you might say, anything in a couple of years, but just a little social security, and they would like to get on, but now I cannot put them on.

One person, I know his wife had a stroke, and I think it mostly takes what is made on Green Thumb to keep them going.

Mittie Romero, Miami, Fla. (p. 539):

My name is Mrs. Mittie Romero. I was born and raised at Jacksonville, Fla. My first husband died in 1956. I recently remarried.

I have been a housewife and have also been an insurance agent, a salesman for a shoe firm and fashion firms. For 10 years I operated my own business, a grocery, and I have worked as a peanut vendor.

I sold peanuts from a pushcart in Miami before being employed on the Senior AIDES program.

In the area I serve, namely, the Edison Court Senior Center at Miami, I have found in regular visits that there are a great many elderly who live alone and whose health is bad because they seldom get to a doctor.

Some are desperately poor. Recently, I visited a couple—he is 75 and she is 71—that had no usable cooking utensils or suitable furniture. There was a nest of mice in the bed they slept on. I could see the wife needed help so I arranged to get her to a hospital where the doctors said she suffered from an advanced stage of anemia.

My work consists of going to different homes, writing letters, shopping, taking meals to them, taking them to the doctor, taking them for a walk even. I am able to cheer them up when they are depressed or are feeling lonely.

I call on the new senior residents in this area to tell them of the center and urge them to join it, and participate in any of the many activities there. I work very closely with my supervisor, the caseworker, to discover senior citizens with serious problems. For example, I discovered an elderly lady who was in an advance stage of diabetes and referred her to my supervisor. She and the nurse arranged for proper treatment and care for this lady, who is now resting in a nursing home.

I average seeing six or eight people a day. I visit them in the hospitals and nursing homes when they become ill and have to go there. Being a Senior AIDE “lifts me up” helping others and seeing them happy. When I’m late or didn’t come the day before, they want to know why I am late or why I didn’t come.

Next month will be 1 year that I have been with the project. So far, I have not received any complaints about my services. I have always been a missionary at heart, and have longed to do for many years just what I am doing now—helping older people. I’m still young—69 years young.

Frances Stanislawski, Buffalo, N.Y. (pp. 549-51) :

Mr. Chairman, members of the subcommittee, my name is Frances Stanislawski. I am employed by the National Council of Senior Citizens under the Senior AIDES employment project at Buffalo, N.Y. I am 57 years old. My husband died last year after a long illness and I am one of those widows that Mrs. Tucker explained about.

When my husband died, I was left without any pension whatsoever. I have a two-family house and my only source of income was \$40 for the apartment which I rented out. I went to this Senior AIDES project and fortunately I have this job.

My husband had been a locomotive engineer but developed diabetes and became blind. We were under heavy medical expense for years due to his illness, and at the time of his death our savings were exhausted.

We raised and educated three children who now have families and I do not wish to be a burden on them.

My husband's death left me grief stricken and depressed, and my doctor ordered me to find employment so that I could forget my troubles. I can sew, but have no other skill and had little prospect of finding suitable employment.

One day, a Senior AIDE making a house-to-house canvass in my area came to my door and asked if any elderly persons in need of special services lived in my house. I told the Senior AIDE my age and said I was desperately in need of a job.

To my surprise, the aide told me there might be a chance to work on the Senior AIDES program. An interview was arranged, and it was my great good fortune to be employed in the Buffalo Senior AIDES program.

I love my work. To bring a ray of sunshine to someone who is sick, sad, or mentally inactive is very gratifying to me personally.

In the months I have been employed as an information and referral aide on the Senior AIDES program, I have visited hundreds of elderly persons and I can tell the distinguished Senators holding this hearing that I know from my experience on these visits that far too many of our elderly people in Buffalo, and probably in other big cities everywhere, live in a state of never-ending misery.

For the most part, they do not know there are public and private social or charitable agencies that can assist them in meeting their needs. Some know there are such agencies but are too proud to ask for assistance.

I and other Senior AIDES in Buffalo have found through our home visits that a great many elderly people are ill or disabled and that they are on the bottom rung of the medical care ladder.

* * * * *

I am glad we have a Senior AIDES project there. It is doing a magnificent job. In my opinion the Senior AIDES program is needed in every community.

V. HOUSING COSTS

The Task Force on the Economics of Aging identified as an area requiring immediate attention "Problems associated with homeownership and taxation," stating (p. 219):

Even if the retiree of the future has accumulated significantly higher assets, it is likely that a large part of these assets will be in the form of homeownership. It is also probable that—like today's retiree—he will be reluctant to draw on these assets because of uncertainties about the future.

It is to be expected that assets will be drawn upon in retirement; the basic purpose of accumulating assets during the working years is to have a supplementary source of income in old age. The problem confronting the retiree, however, is essentially this: At what rate is it safe to convert assets into income to ensure their lasting through his own lifetime and the lifetime of his widow?

The solution to the problem of planned use of assets would seem to revolve around these questions:

Is homeownership more of a burden than an asset for older people, in view of rising property taxes and costs of home maintenance?

What are the effects on older people—financially and psychologically—of proposals for planned conversion of assets into income over the remaining lifetime?

What are the potentials of proposals for setting up banks or other institutional mechanisms for converting assets to income? Would older people participate? Are the proposals feasible financially?

DOCUMENTATION OF THE SERIOUS NATURE OF THE PROBLEM

That rising property taxes and other costs of home maintenance are forcing many older people to give up the homes that represent their lifetime savings—even though suitable rented dwellings are not available at prices they can pay—became all too clear during a hearing in Paramus, N.J., a central suburban area.

Gladys Ellenbogen, professor of economics, Montclair State College, in her analysis of the income problems of New Jersey's aged, included this statement (p. 870):

Housing costs in Bergen County will continue to shoot up. As a resident of one of the 70 communities in Bergen County I personally favor the one-family house and voted against apartments in my town. As an economist I must admit that with a press of population, an increase in the demand for housing, the cost of a dwelling unit will be higher if an acre is used for four single family homes than for 40 apartments. I am not referring to property taxes. I am talking about the price of housing. More than half of Bergen County's 70 communities do not permit multiple dwellings. With the demand for housing increasing rapidly and the supply rising slowly, rents for existing apartments increase and costs of land and houses increase.

Older people seeking to sell their homes, perhaps it is too large or too costly to maintain, frequently find themselves priced out of both the smaller home market and the apartment. They then are faced with rising costs of maintenance. Doing it yourself at 75—standing on a ladder may save service costs of home maintenance but falling off the ladder brings us up against the rising costs of medical services.

Samuel A. Goodstein, Teaneck coordinator of senior citizens housing for the housing authority of Bergen County, documented the urgency of the problem (pp. 887-8):

It is my opinion that we have waited far too long and debated far too much. We are dealing with people who are desperately in the need of immediate help. Consider if you will a person who has worked all of his adult life, has reared a family in a home which he purchased so that his declining years would hold for him the assurance and peace of mind which a roof over one's head offers. Consider, too, if you will, that he is now retired and living on a fixed income of less than \$5,000 per year. I would point out to you that his local taxes today are almost as much and in many cases more than he might have used as a down payment for that home. He is being driven from the haven which he had prepared for his years of retirement. He is not being disenfranchised by anything that he failed to do. As a matter of fact, he did everything that is expected of a decent human being who earned his daily bread and from it tithed for the future.

He is, in fact, being brought to his knees by something which our Government has not done. We have not, in all our ponderings, given a single thought to the individual homeowner of whom I speak. His taxes continue to spiral ever upward while the worth of the dollar which he set aside for the "evil" days continues to shrink. The very metal in his coin is no longer there. He is expected to feed himself, to shelter and to clothe himself, and at the same time to continue in the financial support of a community some of whose services he no longer receives.

For years he supported and paid for the educational system in his community and today that same system, which he no longer uses, takes approximately 60 to 62 cents of his every tax dollar. I have in my possession, which I shall make a part of the record, an official list of 903 aged homeowners in Teaneck alone over the age of 65 with an income of less than \$5,000 per year. The only assistance given to them is an annual allowance of \$80 on their realty tax, a tax which continues to rise at the rate of more than 10 percent annually.

I spoke to our tax assessor last night because I was a little bit leary of our figures. I spoke to Joe Kropinski over in Teaneck. I must apologize for the written statement, I was wrong. The taxes in the last 3 years in Teaneck alone have risen over 40 percent. The figures on the books today stand at 12 percent in 1967, 12 percent in 1968, and 16 percent in 1969, and God only knows where we are going in 1970. If you think those boys went to the moon, I have news for you—we are going to outstrip them.

A modest home which was bought 30 years ago for about \$9,000 is now assessed at three times that amount, and that assessment will be raised again this year by virtue of the 100-percent-evaluation law in the State of New Jersey. The tax on this property, which less than 20 years ago was some \$200 to \$250, today stands at \$1,100 and continues to rise.

The senior citizen is therefore forced to sell his home and to look for suitable housing at a rental commensurate with his pitiful income. Here he is brought face to face with the impossible, for in this affluent area there is no such thing. If a small apartment with one bedroom were available to him, and there are very few—and believe me I know; I am the coordinator of the housing project in Teaneck—he is asked to pay a rental of \$150 per month and up, and believe me that in most cases it is up. In the southern end of Teaneck, in an area which was once referred to as Skunk Hollow, there are at present being erected a complex of garden apartments whose monthly rentals for a one-bedroom apartment starts at \$250 per month and you have my word for it, Senator, that there are not too many at that price.

It remains, therefore, for the senior citizen to try to maintain his home since there is no other place for him to go. In order for him to pay his taxes and to keep the property in conformity to one of the strictest building codes in the country he must, of necessity, rob his stomach of a decent diet and mend his old clothing since new ones are completely out of the question.

This is the specter to which our senior citizen opens his eyes at the beginning of each day and this, gentlemen, is the nightmare which he takes to bed with him at day's end. They do not need our help today or tomorrow—they certainly don't need it next year—they need all the kindness and every consideration which was due them yesterday. They cannot wait and we dare not cogitate further. The time is now.

Our Federal Government must join hands with our State and local governments in a concerted and immediate—and I underline immediate—effort to remove from the senior citizen the awesome, backbreaking burden of being taxed for education. Take from his already humped and aching back that 60 cents of every tax dollar and he will once again be able to take his place in a society that seems to have forgotten; to have done no more than give the empty title of "senior citizen" to our aged loved ones.

While young men walk on the moon our senior citizens find it difficult to as much as crawl on earth.

UNEVEN BURDEN OF LOCAL SCHOOL TAXES

Resistance to school taxes (that form such a large proportion of real property taxes) has caused charges that older people are "against education."

Edward L. Carr, legislative representative of the council of Bergen County Clubs, justified opposition to school taxes by saying (pp. 879-80) :

Now their greatest problem I have found is the ever increasing rise in taxes for school purposes. When you realize that over 65 cents, I repeat, over 65 cents out of every dollar of this meager income is taken out of taxes for school purposes, I am sure you can realize their concern. I have some other figures on school costs which you probably would like to know. Today it costs over \$700 to teach each child in our school system. During 1969 the tax levied for school purposes is close to \$148 million. On the basis of a total of 268 schools in the county, simple arithmetic will prove that it cost over a half million dollars to maintain and operate each school.

* * * * *

We also have a resolution in Trenton asking that school taxes be eliminated entirely for this low-income group or the \$3,000 a year or less group.

Last but not least, recently we have petitioned our State legislature to create or establish an investigation body and/or a commission to thoroughly and impartially investigate the entire State school system.

To justify this resolution I would like to bring out a few points. First off, as you know school taxes are our chief problem. We also fear that if and when this committee is established if they dig deep and hard enough they will find many avenues open for increasing efficiency and effecting substantial savings.

Before I close I would like to clear up one very false rumor which was circulating after the defeat of the school budget in which seniors are only partially involved; that senior citizens are against education. Seniors as a whole are definitely not against education. In my experience I have found a good majority of them are against the increasing infiltration of the various varieties of so-called luxury items which they feel are not only very costly but also in some instances nonessential.

Mildred Krasnow, executive director of Bergen County Office of Aging, added (p. 880) :

May I say, Senator Williams and Congressman Helstoski, that Mr. Carr does speak for a large segment of the senior citizens in the county. There are, however, a good number of older adults or senior citizens who feel as I am sure even Mr. Carr does, that we need a very strong and very good education system. They are willing to pay for the education system. But the costs are high and it is difficult for them because they are on a limited retirement income. What they are asking for is relief from their property tax. They are not against education. I think if many in the audience could speak they would say that they are willing to have some of the things that Mr. Carr calls luxuries or frills and that they are willing to pay for them. But we must find a way to take the tax burden off the property owner. That would correct the situation. The

senior citizen then or those who do vote "no" would not be voting down the school budget. But this is the only place they have a chance to say "no" in order to protect themselves.

Honorable Joseph C. Woodcock, Jr., New Jersey Senator, advocated Federal action (pp. 907-8):

There have been suggestions that the senior citizens be totally exempt from paying school taxes and that the responsibility of the school tax should fall upon all of the other citizens in the community and the county. The fact is, that regardless of the effect it would have to the advantage of the senior citizens, I think it would be a rather bad thing when you consider that it would fall most heavily upon the young married couple that bought a home. In Teaneck or any place else in the county you have other problems besides the taxes to take care of, so that you would discourage if not eliminate almost entirely, the purchase of homes by young married couples. I do not think we really want to encourage that here in Bergen County or the State of New Jersey.

I think that we have to look elsewhere for the solution. I think, too, that we should encourage as much as possible senior citizens staying in their homes. I listened with interest to Mr. Lyle talk about the loneliness, and I think that some of it comes because the senior citizen has been unrooted from the community in which he has lived almost his entire adult life, has become acquainted with that community most closely, and that is where his roots are. Then, because of the economic pressures, he is forced to sell that home and move into a strange community and a strange environment. I say that that is unfair and that is something that we should be moving to correct.

So really when we consider it, this is important from that aspect. It is also important from the aspect that if we force the senior citizens to sell more of their homes, then they go into the rental market and they put more pressures on the cost of apartments and in addition force that up. Unless the Federal Government—and I say the Federal Government because I think that in the end that is the only government that has the wherewithal to do it—wants to get into a public housing program for the elderly, I see no solution to the problem. I do think that we can encourage the senior citizen to maintain his home in his community if we can give him some realistic tax relief based upon the facts of life.

I think the facts of life are these. No. 1, 50 to 60 percent of the tax bill here in Bergen County is made up of school taxes. I think that this is one of the things that the senior citizen has paid for over the years and repaid. They paid for the schools, they paid for the sewers, they paid for the streets. The streets and sewers and other things that the community supplies, they still use but they really have no direct use or value coming to them from the school system. The school system is very important to the local community.

So if we can in some fashion devise a means of relieving them of that burden, I think that we will go a long way to giv-

ing them some degree of economic stability and assurance. I think that this might be done if, No. 1, we on a State level were to enlarge the area from which we levy and collect our school taxes because as it is now if you happen to live in a town like Teaneck which has little or no industry, the homeowners and the real property owners there produce nothing in the way of income and pay the entire burden of the tax levied.

We do have here in Bergen County certain areas of the county where it is advisable for the industry to locate because they don't have as much of the tax burden to pay and we arrive with taxation falling most heavily upon the homeowner not only in this country but elsewhere. So I think if we spread the cost of education on a countywide basis in terms of levying and collecting taxes we will give some relief generally throughout the county.

We will also in some degree stabilize the cost of schools throughout the country and we will not have school systems competing for teachers' services and so forth. In addition, and in connection with this, I think that the Federal Government should subsidize the property owner who lives in his one-family home who is a senior citizen and is trying to maintain a decent standard of living for himself and for his spouse.

If we use the Federal Government to set up a subsidy for the senior citizen to the extent of the school tax levy, then in a sense we will be continuing the program that we have established for those people who are renting property. I think if we can establish that, then we can look forward to the time when we can see the senior citizen staying in the community that he wants to stay in, staying in the house that he wants to stay in, and living out his remaining years in happiness and contentment.

A PROPOSAL FOR FEDERAL ACTION

Hon. Wilbur J. Cohen, former Secretary of Health, Education, and Welfare, made these proposals at the committee's hearing on Homeownership Aspects of the Economics of Aging (pp. 747-9):

I suggest the establishment of a public corporation by congressional legislation which would buy, sell, rent, and renovate residential property for senior citizens.

The corporation in my opinion would be a unique melding of both the private and public sectors. The corporation could consist of three persons nominated by the President of the United States with the advice and consent of the Senate. It could have authority to issue bonds up to \$100 million with the principal and interest guaranteed by the United States. It could also have authority to issue 5 million shares of common stock at a par value of \$10 a share. The Federal Government could contribute \$10 million as a revolving fund for 5 years, interest free, to enable the corporation to begin its work.

The officers and employees of the corporation would not be employees of the Federal Government other than the three

members of the corporation appointed by the President and Senate and not more than the five or 10 executives designated by the board.

These provisions are designed to give the corporation maximum flexibility in the administration of its work, to compete fairly in salaries, rents, sales, prices, and other economic and financial matters but to all provide a service to senior citizens that takes into account longer range considerations than merely shortrun financial advantages which are inherent in the financial market.

Thus, the corporation could purchase the home of an aged person who was ill and pay the aged person a monthly annuity which might enable him to meet extraordinary medical or nursing home costs and thus avoid the individual having to go into Medicaid.

Or the corporation could pay for remodeling of the large home, and many people live in large homes as a result of the children they had years before. This would make it possible for one or more additional aged persons to live there, thus making it financially feasible for all the aged to have a comfortable residence at a reasonable rental without making a major shift for the homeowner.

Another illustration, the corporation might advance the downpayment for an aged person at a modest charge for purchase of a new home in another location while the aged person retained his old home to see how the new situation worked out.

There have been a number of instances that I am familiar with where an older person sells his home, moves to another location and then finds that that is not a satisfactory adjustment for the remainder of his life. There may be no friends there, there may be no medical care, there may be other problems that make the individual nostalgic to return.

I think this is also true because of the development of many of these so-called retirement villages. People are attracted to go into them and then later on they find that they don't like them. I think we have got to have some method to enable older people to have an adjustment period. This has many financial difficulties for them that could be overcome by an organization that was friendly, was understanding and was committed to helping older people rather than looking how to make a fast buck off of older people's housing needs.

I happen to believe that such a corporation along the lines that I have suggested would yield a reasonable return to its shareholders and bondholders and provide services which are not now available to senior citizens at a reasonable cost with little or no net cost to the Federal Treasury.

Now I would like to turn to another point and that is property taxes. In recent years there has been a trend in State legislation exempting all or part of the value of the homestead of a senior citizen from State and local property taxes, and this is a trend while I was Secretary which I endorsed and supported. But this legislation, in my opinion, has not been solely to give a tax advantage to senior citi-

zens. It is a recognition of the fact that there are many low-income persons among our aged citizens who live on fixed incomes. As you pointed out, there are somewhere between 5 million aged in the poverty group and some 2 million more who are in the near poverty group. These people who live on fixed income, many of them in the poverty group, just simply cannot see their way clear to take on any additional financial obligation. So this trend, the State legislation recognizes the reality that senior citizens have been voting against property tax increases for educational and other local public services.

Millage increases from property taxes, particularly for education, have been defeated in increasing numbers in recent years and this is a very tragic situation in my opinion for the education of the country. While there is a substantial demand for tax reform at the Federal level, in my opinion there is also a substantial demand for reduction and repeal of State and local property taxes on residential property.

Now I am not only concerned about this, Senator, because of its adverse impact on our educational system which is so important for the creativism and dynamism for the betterment of our country, but what concerns me most is that we avoid any conflict or controversy between the interests and needs of older persons and younger persons.

Sometime ago I talked with an older person asking her to vote for a bond issue for elementary and secondary education in my community. The woman said, "I have paid school taxes all my life. My children are grown up. I will be living on a fixed income of social security and a small pension for the rest of my life, and I don't know how much longer I am going to live. Younger people who have the prospects for increased earnings should pay increased property taxes for schools." This is the reality we face. We must do something about it—and I believe State legislatures and the Congress, all of us, must do something about it and do it soon.

We need vastly increased funds for education in this country, and I am simply delighted with the action of the other body in increasing education. I think that is a great blow for freedom in this country in expanding their Federal aid to education because the State and local bodies cannot finance this adequately through the proper action. I believe we must increase Federal and State funds for this purpose and reduce the relative impact of local residential property taxes on educational and public services purposes. I believe we should also include in appropriate Federal legislation an incentive to reduce or repeal residential property taxes which would have a tremendous impact and advantage not only to senior citizens but to our educational systems.

This incentive should be included in an appropriate bill providing Federal aid for elementary and secondary education or for other essential public services.

One way it could be done, and this is merely illustrative, is to earmark a given sum for education such as \$400 mil-

lion—roughly \$2 per capita—and allot this amount in relation to State and local tax effort, exclusive of residential property taxes, thus giving an incentive to State and local taxation from nonproperty tax sources. I believe we should do something along these lines before Congress adopts any general shared revenue legislation on a noncategorical basis. I believe this has a much higher priority than any of the proposals I have seen for shared revenue.

Dean Cohen, when questioned about a proposal to grant a Federal income tax credit for low income elderly persons whose local property taxes are excessively high in relation to income, advised (p. 752):

Well, I think that is the completely wrong approach to deal with that problem for this reason. Of the 20 million aged persons, if my memory serves me correctly, only about 4 million pay an income tax. About 16 million of them do not pay any income tax at all now. So you are not doing anything for the 16 million who do not pay a Federal income tax.

Of that 4 million that pay an income tax a large portion of them are the most wealthy persons in the United States—I mean they are the people who have built up large fortunes. In the group of the aged we have the most wealthy people in the United States because of their age and investment, and we have the poorest.

Since so few of them pay an income tax, in my opinion, what you want to do is relieve the property tax pressure on the man or woman who has a \$1,000 or \$1,500 income who does not pay a Federal income tax. I think a much more radical approach would involve, as I said, some kind of an incentive system in the Federal law like in the education bill which gives a State, a Governor or legislature an incentive to reduce or repeal State property taxes.

Marie McGuire, special assistant for problems of the elderly, U.S. Department of Housing and Urban Development, when asked for her reaction to Dean Cohen's proposal for a nonprofit corporation, replied (p. 761):

It seems to me it bears some relationship to the public-private partnership plan now in the Department. I was wondering whether it is necessary to have such an institute exclusively for older people and their housing needs. However, it is an interesting proposal. Certainly some recognition of the fact, as you stated so well, that older people need help and assistance is indicated. They simply cannot always handle the problems of financing, or overcome their fright that the little money they have in the house may be taken away fraudulently.

I presume the corporation would have the responsibility of taking the old house, selling it, and helping the older person reinvest in a more appropriate residence. I assume what Mr. Cohen also had in mind was that funds now going into housing programs of great variety somehow would be related to such a public-private corporation more sensitive to the needs of the older person in the housing field.

I do not know what relationship this would bear, however, to the present sponsors of housing for older people, many of whom are nonprofit sponsors who have traditionally been interested in older people and are helping many of them to achieve the right housing solution.

Sherman Unger, General Counsel, Department of Housing and Urban Development, was also asked to comment on Dean Cohen's proposal and its meshing with Federal housing programs for the elderly. He commented (p. 784):

I had a chance to review it this morning. A couple of thoughts occurred to me. One is that perhaps what Mr. Cohen has recommended here might readily be done through the National Housing Partnership and local organizations co-operating with it. I see no reason offhand why it could not be done that way.

Second, while I personally find the proposed corporation's goals desirable, I have some concern about federally guaranteed bonds or paper for \$100 million and am further concerned that the Federal Government would then put another \$10 million into the private corporation where there would be no Federal control over what it is doing. While the goals are desirable, I am not sure this is the best way to achieve them.

PROPOSALS FOR STATE AND FEDERAL ACTION

Honorable Richard Coffee, State Senator from Mercer County, N.J., stressed the dilemma of the urban elderly, caught between very high tax rates with soaring maintenance costs and the financial losses of selling in a bad market. He proposed a combination of State and Federal action (pp. 765-6):

Unless massive State and Federal aid is aimed at these cities to drastically reduce the tax burden or to give adequate property tax relief to these senior citizens, they will continue in the grip of a financial bind from which there is no escape.

While it is true that tax rates in rural areas are generally much lower than in the cities, New Jersey cannot take much consolation in this fact. My State is, as you know, the most urbanized State in the Union, and the rural areas are steadily shrinking. It will not be too long before the process of growth will bring to the present nonurban sector many of the problems which are now being faced by the cities and by the suburbs, particularly in the field of education.

Since education is and always has been a national commitment of the highest priority, I am of the opinion that this is an area which cries out for increased Federal aid. Former Secretary Cohen touched on this point when he testified prior to my appearance.

I know that in New Jersey our communities are staggering under the burden of rapidly rising school costs, that State aid is inadequate, with no prospect that it can be significantly

increased in the near future, and that too many of our children are being educated in hopelessly outmoded facilities.

I just recently served on a commission in my home State which is called the Public Aid to Public School Districts Commission. We have completed our work and have made a recommendation that New Jersey almost immediately raise an additional \$200 million to place in a new formula as State aid to public school districts. New Jersey happens to be a little bit low in our opinion in its State aid to public schools. I am referring now to elementary and secondary level education—\$200 million—let me compare that amount and show you what it means to a State like New Jersey to raise this kind of money. If we enacted a State income tax, as an example, at the same rates that New York State presently has, we would raise in the initial first year approximately \$450 million. The recommendation of this commission was that immediately \$200 million be given to the local school districts for State aid for schools. Of course if we talk about \$200 million or any amount near that, we are talking about perhaps a new tax in New Jersey which would have to be a State income tax.

Increased Federal aid to education not only would better serve our national commitment, but in a more practical way could help to materially reduce the property tax which hangs like an albatross around the neck of each impoverished elderly homeowner.

Turning now from the area of tax relief as a means of saving homeownership for the elderly, there is another emergent problem to which I would like to address myself. There is and probably always will be the elderly who, no matter what tax deduction programs exist, will be unable to maintain homeownership due to their very limited financial status. While I believe the majority of governmental leaders would like to be in the position to guarantee homeownership for the elderly, we know that this is not economically possible. Therefore, an alternative must be provided to insure that this group of senior citizens will be afforded decent, safe, and pleasant housing facilities. In my estimation, any new federally financed housing programs most certainly must include an adequate amount of housing for the elderly.

These housing units should be architecturally designed with the senior citizen in mind and include the various safety devices and newly developed conveniences that will ease the burdens of old age.

Another area of housing which has proved troublesome and is especially present in our urban areas are the large homes owned by the elderly which because of their present life style are obsolete. Quite often these large older homes house one or two people whereas they were designed to accommodate a younger and larger family. Here again the senior citizen is trapped. As a general rule, these houses are mortgage free and represent a major lifetime investment for the elderly but, because of their size, cannot be sold for their true worth.

I suggest that through a governmentally financed program

these houses could be bought from the elderly and renovated to serve as homes for the poverty stricken larger families which are predominant in our urban areas. In turn, the senior citizen could be given, in lieu of the purchase price of the home, a newer, smaller and safer residence which would be less costly to maintain while at the same time safeguarding his sense of security and human worth.

A program such as this, I believe, could beneficially serve the interest of all parties concerned. The senior citizen would still be a homeowner and could live in dignity, as could the lower income family, and the cities' problem of decaying houses which blight our urban neighborhoods could be alleviated.

John Shannon, Assistant Director of the Advisory Commission on Intergovernmental Relations, provided a background of information on State experiments with "circuit breaker" plans to protect low-income elderly householders and renters from property tax overload situations. He presented the commission's recommendations for a State property tax relief plan (pp. 772-3) and added his personal comments on the role of the Federal Government (p. 773) :

Based on recent State experiences it is now possible to set forth the characteristics of an "ideal" State property tax relief plan.

First, it should have broad beneficiary coverage. To insure equitable treatment for all residential property taxpayers, the tax relief plan should come to the aid of all overburdened property taxpayers—those under 65 as well as those over 65 and the renters as well as the homeowners.

Second, in order to gain legislative support you need adequate safeguards against abuse. To insure that aid goes only to the truly needy, all types of cash income, including social security, should be cranked into my compilation of family income and probably a dollar limit of \$400 or \$500 should be set on the amount of relief granted to any taxpayer. This is to prevent criticism that you might be subsidizing some elderly person who happens to live in a mansion. So if you have a top cutoff point of \$400 or \$500, there is a safeguard there.

Third, and this is the most difficult thing, you need an efficient tax relief formula, one that can shield the low-income householders on the one hand and their interests and yet minimize the drawdown on scarce State resources.

One way to determine extraordinary burden would be to grant relief only on that part of the property tax payment that is in excess of say 8 percent of the household's total money income. As previously noted, this approach would direct aid only to families in greatest need, bearing in mind that the average family burden is around 4 percent. The cost of such a program would probably run in the neighborhood of \$300 to \$400 million for the 50 States.

A more sophisticated formula would grant relief if the local residential property tax exceeds a certain percentage of the family's Federal or State income tax payment. For example, the average family today turns over about \$2.50 to the Federal income tax collector for each \$1 it turns over to

the local residential property tax collector. Thus, we could argue that a family should certainly be entitled to property tax relief if the tax on its residence exceeds the family's Federal income tax liability.

It must be noted that before a family could receive tax relief under this approach, linking it to a State or Federal income tax schedule, it would be absolutely necessary to compute their Federal income tax liability on the assumption that all cash income is counted in the Federal tax base. You would have to count in that social security and veterans' retirement payments and so on.

By linking the tax relief formula to a State or Federal income tax schedule, it is possible to completely shield the incomes of low-income families from the property tax collector's reach or at least make a complete rebate. It also recognizes family size in the property tax relief program because the income tax is geared to personal exemptions.

We estimate that it would cost approximately \$400 to \$500 million to finance this more sophisticated type of property tax relief.

Now you could use various formulas. The one that I use here is pretty stringent. If you said, well, any family that had to turn over as much as half or more to the local property tax collector as it turns over to the Federal should be granted relief. Then the price tag would jump from about \$400 to \$500 million to about a billion.

I would like to express my personal view, not the commission's, with respect to the role that the National Government might play in this field. The Federal Government could hurry history along by providing a financial reward to those States that extend property tax relief to low-income families. The Federal incentive might well take the form of reimbursing the State for say one-half of the cost that it incurs in taking such remedial action. Corrective action must be taken—an affluent society has no excuse for putting this type of tremendous burden on very low-income householders in order to finance its schools and local governments.

Mr. Shannon was asked for his reaction to proposals that, instead of complicated special tax provisions, elderly people be assured better income so that they could pay the same taxes as younger people. He answered (p. 773):

It could be feasible. I do believe that that approach, however, is much more expensive. Any general scheme of inflating the incomes of the elderly will be very costly and the price tag alone will tend to deter congressional action.

In the meantime by using this very sophisticated "rifle" approach you can minimize the drawdown on the Federal Government's resources. For approximately a half billion dollars—a cost that could be shared by the Federal or State Governments—you could make sure that no low-income person in the land had to experience an extraordinary property tax burden, but it will require these technical adjustments in the tax field and this is one of the prices you pay for trying to develop more equity.

PROPOSAL FOR AN ACTUARIAL MORTGAGE PLAN

Yung-Ping Chen, associate professor, Department of Economics, University of California, Los Angeles, presented a proposal that would increase income by converting the asset of the owned home into an annuity and still permit elderly homeowners lifetime occupancy of the home (p. 793-4):

Very briefly, I think an actuarial mortgage plan in the form of a housing annuity can serve two purposes: First, to enable older homeowners to realize the fruits of savings in the form of home equity; and second, to enable those homeowners, who wish to remain in their homes either for physical convenience or for sentimental attachment, to do as they wish.

Suppose we picture someone today 65 years old with very low income and he has a home free of mortgage perhaps at a market value of \$10,000, \$15,000, \$20,000, \$25,000. What can he do with his housing situation? Property taxes have been rising and there is no great letup as far as we can see. Exemptions, credits and deferrals do help some older people but the extent of financial assistance is definitely limited. Annually some older homeowners may save \$70, \$150 or somewhere around there. Their income problem as I see it is a main issue.

The tax rebate can help, of course, but it can help only very little. If we were able to design a system to make it possible for older people to get the worth of their capital, namely, home equity, into currently expendable cash, at the same time when they can hold on to their home for whatever reason that they have, then I think we will be doing a very substantial job.

It seems to me that the psychological problems attendant upon sale of the home when the owner is not ready—that is, not quite willing to sell—can be a very traumatic experience. I should hasten to add that older people, as in the case of younger persons, have a great variety of tastes and preferences and this is manifested not only in housing but in every sphere of consumption. My plan will open up an additional option which is not now available to those older people who would like to have their home and to realize on a continuing basis some addition to income based on the equity that they have built up over the years.

Now the advantages of such a plan are many. First, I believe I have already stated it would increase their income. No. 2, it will enable them to hold on to their home ownership. No. 3, I believe this plan would and has the spirit of self-reliance on the part of the older people. Fourthly, related to it, this plan because of its result of increasing income would reduce the pressure on public transfer payments. There are other advantages which would be brought out in the formal statement as well as in responses to your questions.

Now let me turn to the problems. I think it is only fair for the proposer of a program to cater to the problems that would arise. The No. 1 problem I think relates to inheritance. As I talked to many people about this plan, one of the first ques-

tions people ask is, you are depriving older people of the privilege of bequeathing their property to their heirs.

I might say that this is, of course, a considerable consideration. However, it is my observation that at least in the contemporary situation parents are generally more concerned with providing their children with good education, passing on a "heritage" rather than bequeathing physical assets to younger persons.

Secondly, on the same point I feel that I would treat the building up of equity as a form of saving and in old age when there is need for more income some financial mechanism ought to be available for them to use past savings. It seems to me that in many cases to increase income for sustaining life in later years would be a more weighty consideration than conserving the capital to be passed on to the heir.

There are some additional problems relating to technical aspects of putting the plan into operation. These are mainly actuarial problems; that is, how to calculate potential income from home equity, what kind of mortality table you would use, what kind of interest rate do you use and things of this sort. In general I would say that the annuity payment on the basis of home equity would be determined by the following factors: (1) the net equity value of the property; (2) the mortality experience; (3) the interest rate assumption; (4) I would include the rate of price inflation expected over time.

To conclude this phase of my presentation I would call attention to the possible involvement of the forthcoming White House Conference on Aging and the proposed Aged Research Commission which Senator Williams has suggested. I feel that there are merits in this plan but at the same time these are technical problems to be resolved. I strongly recommend that the actuarial mortgage plan be made a topic of study under the auspices of the White House Conference and the Aging Research Commission which I hope will be established.

Among the questions raised in the course of Professor Chen's testimony was the amount of income that might be derived from such a plan in comparison to a purchase of a single premium annuity from an insurance company.

Professor Chen said (p. 796) :

For \$10,000 of cash you could purchase an annuity for yourself and your wife, both 65 years of age * * * ranging from \$53 to \$60 a month. I have just checked on these amounts offered by something like 10 to 12 insurance companies in the country and that is how I came up with this range.

Now the housing annuity that I am talking about would bring to this couple something less than one-half of this range. So I would say \$25 to \$30 per \$10,000 of equity. This amount of course sounds very small but I think several things have to be kept in mind. No. 1, this couple has the life tenure in the home. If they sold the house to realize the cash, they would have to move into rental housing, and have to pay rent. You cannot live, I don't believe, in a comparable housing accommodation for say \$25 or \$30 a month. This amount would be

the difference between what you can buy with cash and what I estimate that you can buy with equity.

Professor Chen, who has been exploring his proposals with the insurance industry, saw also a possible role for Federal incentives (pp. 797-8):

Well, as I see it the incentive that the Federal Government may set up to further this plan would relate more to guaranteeing this program for the sake of the insurer and the insured.

* * * * *

The problem as I see it for the insurance company or whatever issuer it happens to be relates quite a good deal to the difficulty in foreseeing a number of years hence the value of the property. It is now worth \$20,000 or \$30,000 or \$40,000 but what is it going to bring by the time the insurance company takes hold of that property? This is a rather difficult evaluation problem.

I have worked into the plan a renegotiation clause and that briefly is this: The homeowner can enter into a contract with an issuer today, for instance, on the basis of the various factors, interest rate and so on and so forth. The homeowner will be assured of a given amount of income per month but there is no telling whether the property—I should not put it so strongly.

I think I should correct it by saying it is highly possible that his property may increase in value over a period of time or it may depreciate in value over a period of time. What happens if the property is appreciated? Obviously, the homeowner is not getting his money's worth in the annuity payments and because of that consideration some homeowners may not wish to join the plan.

So I have thought that a periodic reappraisal procedure may be adopted so that if the property appreciates, the homeowner will reap the benefit of the increase in value. This not only has the benefit of increasing annuity income but it gives the added incentive for the homeowner to keep up the property. Because the disincentive effect is there when the person is assured of income and he knows that he is not going to pass on the house, he may let it go. So with the annuity income he gets he would be more financially able to fix up the house.

Now the other problem relates to depreciation. Suppose the property goes down in value.

* * * * *

With the renegotiation clause it works both ways. The homeowner would be faced with an additional uncertainty element because what happens if it depreciates for reasons not his own? If it works both ways, his income would go down and this is not very desirable in my view. I think it is for that problem that the guarantee program set up with an insurance idea, a premium I think could be paid for such an insurance underwritten by FHA to guarantee the value of the property over its economic life.

Professor Chen spoke briefly at the hearing on a study he had undertaken for the Department of Housing and Urban Development to explore the attitudes of homeowners toward a mortgage annuity plan, saying (p. 799) :

The study has just begun really.¹ It has to do with a pilot survey of 400 households in Los Angeles County to study the attitudes or restrictions of people, mainly the elderly, to the actuarial mortgage plan that I have devised. I am very interested in discovering how people in general feel about this new alternative. It seems to me that many things that people do are the result of what are available to them.

We hear a lot about retirement community living. We hear a lot about people's preferences to remain in their homes. We also hear about a lot of people wanting to sell their present home which may be too large and move into smaller ones. I think these preferences are probably correct. However, if we give people additional alternatives, the choice pattern may be different, I am very interested to find out with this additional alternative how people wish to express their different preferences which relate to housing. Also, I am quite concerned and interested to find out how people would view this particular means of realizing their savings which they cannot do at the present time.

¹At the time that this report of the Senate committee was being prepared, the results of Professor Chen's attitudinal survey were not yet available. Preliminary findings showed a reaction to the proposal that ranged from complete rejection to "the greatest idea since social security." Only a small proportion of the respondents viewed the proposal as offering positive help for their own situation in old age and these were primarily persons who still carry large mortgages and who face retirement with expectations of relatively low income.

MINORITY VIEWS OF MESSRS. PROUTY, FONG, MILLER, HANSEN, MURPHY, FANNIN, GURNEY AND SAXBE

The need for renewed commitment and implementation of our national policy on aging is clear.

There must be assurance to older Americans that they shall enjoy fullness of economic opportunity and share in the abundance of this Nation.

While many needs of older persons—physiological, emotional, psychological and spiritual—must be given recognition, the number one priority is to achieve decent living standards for all older citizens.

Elsewhere in this report on "The Economics of Aging" and in proceedings of numerous hearings conducted on this subject by the Committee, is a substantial volume of evidence to support this priority. Members of the Committee have long been aware of income deficiencies among older Americans, and the testimony strongly reinforces their position.

There have been indications that more data, including that from the 1970 census, and additional points of view would be worthy of Committee consideration. It is to be hoped that at least some of the latter will be heard as a result of this report's publication. The large volume of testimony has not, unfortunately, been matched by the time and deliberation needed to fully evaluate it.

Some of the basic elements which create economic problems facing older Americans deserve further examination. The need for prompt treatment of current economic distress symptoms is evident. In the long run, however, it is no less important to address the Nation's resources to the causes of these symptoms.

It is obvious that every proposal for alleviation of economics-related problems facing older persons—including housing, medical care, and special services for the infirm—should be evaluated most carefully by appropriate legislative committees of the Congress with full opportunity for hearing all points of view. The fact remains, however, that the chief problem is individual income.

Earlier this year we expressed our concern when, in the Minority Views of the Committee on Aging Report made to the Senate, May 15, we made a number of specific recommendations, the thrust of which was to expand choices open to older Americans. Some were only indirectly related to economics. The most important, however, were almost exclusively economic in nature.

We repeat the basic observations we made then that there is need for improvements in Social Security, private pension plans and other sources of financial support to assure adequate income during later years of life. We pointed out, too, that many older persons prefer employment and we repeat our view that opportunities for exercise of this right should be expanded.

We feel great satisfaction that our long-advocated proposal, originally introduced in the Senate by Senator Miller in 1963, to provide

automatic increases in Social Security benefits to keep pace with increases in the cost of living is on its way to enactment.

There is still work to be done, however, in making Social Security, Medicare, and Medicaid more responsive to the needs of older people. The law covering earnings of Social Security beneficiaries needs considerable refinement to achieve equity.

An Older Americans Income Assurance program offering income supplements to the elderly who otherwise would not be able to attain decent standards of living, or would be forced onto public assistance needs action.

OLDER AMERICANS INCOME ASSURANCE

Senator Prouty has introduced legislation for this purpose in this Congress and previously in 1968. Under Senator Prouty's proposal (S. 3154) the minimum income for all persons past 65 would be maintained at \$1,800 annually for an individual and \$2,400 for a couple. Senator Saxbe has introduced legislation with a similar purpose at age 72.

An Older Americans Income Assurance Act would be responsive to the moral obligation of this Nation for the needs of older persons. It would be in keeping with the dignity to which the elderly are entitled. It would be applicable on a universal basis not found in any other existing income-support program. It would avoid unearned windfalls to the elderly whose needs are otherwise met adequately.

We recognize that all the goals envisioned by an adequate Older Americans Income Assurance Act may not be fully attainable overnight. We would therefore, strongly support action on this proposal even if it could only be a major first step toward our objective.

We are aware of the hope expressed by some that increases in Social Security minimum benefits might be adopted at a level sufficient to provide adequate income through such benefits for all recipients. Nothing in the history of Social Security warrants the belief that such an approach will be accepted by the people or the Congress—primarily because of the costs of such a method and the realization that many recipients of the minimum have other sources of income.

Apart from the full acceptance of our moral responsibility to all disadvantaged elderly, which is inherent in the Older Americans Income Assurance Plan approach, it would obviously impose substantially lower tax burdens on the young than would any other income maintenance program for older Americans using government money.

THE PRIVATE SECTOR AND ECONOMICS OF AGING

In the light of intense competition for tax dollars, and the legitimate desire of older Americans for fully satisfying lives, full recognition must be given to the role of the private sector. The economics of aging is not, can not, and should not be solely a responsibility of government.

Older Americans neither expect nor desire to be totally dependent on government. It therefore behooves the private sector of society to face up to its responsibilities in aging. These may be expected to increase in the future.

On a base provided by government, it will still be necessary to build new opportunities for older persons to satisfy their legitimate, and growing, desire for participation in the life and wealth of this Nation.

In this and previous Minority Views of the Special Committee on Aging, we have supported and will support legislative action which encourages the private sector to meet its responsibilities. It is obvious that no discussion of the economics of aging can be relevant if it ignores either the obligations or the opportunities within private elements of society for creation of a climate in which older Americans may fully satisfy their right to fulfillment.

Much has been accomplished, for example, in the field of private pension plans. More should be heard of the accomplishments since this unique American institution had its real beginning at the end of World War II, and what may be expected of it in the future. We believe it inappropriate to ignore the potential which may still exist in this field.

The private sector also has a responsibility in meeting the desire of many older Americans for opportunities to participate in the nation's productive activities. We support government sponsored community service activities. We are impressed by the record of such programs as Green Thumb and Foster Grandparents. We believe, however, that private employers should also take a serious look at what more they may do in giving older Americans a chance—part time or full time—for continued use of their skills, and talents. Full exploration of this largely undeveloped field, too, is a part of the economics of aging.

That there is a real demand for job opportunities among older Americans is well documented by the success of the Mature Temps program sponsored by the American Association of Retired Persons and National Retired Teachers Association and other similar programs.

We would hope that the 1971 White House Conference on Aging, called by President Nixon, may, among other things, provide a focal point for development of new concepts in the economics of aging—concepts valid for the new era of aging which has come during the 20th century.

In our efforts to develop new programs for older citizens responsive to a new and different kind of generation of older Americans than any seen in the past, all elements of society will have major roles. This should not stop with economic satisfaction, essential as that is, but should be concerned with all needs of older persons—psychological, emotional and spiritual.

WINSTON L. PROUTY
HIRAM L. FONG
JACK MILLER
CLIFFORD P. HANSEN

GEORGE MURPHY
PAUL J. FANNIN
EDWARD J. GURNEY
WILLIAM B. SAXBE

SUPPLEMENTAL VIEWS OF MR. MILLER

I deeply regret that the majority views are prepared without any opportunity whatsoever for the Republican members of the Committee to sit down with the Democratic members for a full discussion with a view to achieving the genuine bipartisan recommendations which should, above all, characterize the work of the Committee. In light of this I feel compelled to comment on some of the more questionable recommendations of the majority.

The majority's praise for a \$100 minimum Social Security benefit completely ignores the fact that many of the recipients have income from other sources—including civil service, state and local government, and private pensions. It also ignores the fact that most of the recipients have not paid taxes needed to fund their benefits, thus throwing the burden on other Social Security taxpayers—many of them in low income brackets. The minimum benefit is largely a welfare—not an “insurance”—proposition. As such, to the extent the beneficiaries have not paid taxes needed to fund it, it should be financed out of the general fund of the Treasury.

The majority's criticism of the Senate Finance Committee's approach in financing the new automatic cost of living increase formula for Social Security benefits is unwarranted. Such a viewpoint was rejected by the Senate on December 28, 1970, by a vote of 28 to 39.

The majority's recommendation that serious consideration be given to the use of general revenues in financing of the entire Social Security System is dangerous. From its inception, our Social Security System has been considered “social insurance”—not welfare. Millions of people have, along with their employers, paid taxes into the system on the basis that their contributions would yield them certain benefits—regardless of need. One of the important advantages of the present Social Security System—one which is primarily responsible for its widespread acceptance—is the fact that because the taxpayer-beneficiary has paid into the system he is endowed with a sense of dignity widespread acceptance—is the fact that because the taxpayer-benefits, on the other hand, are paid on the basis of need, and that is why they are financed out of general revenues, which are raised largely on the basis of relative ability to pay. Insofar as welfare has crept into the Social Security System—as has happened with the minimum benefit, financing from general revenues is fair and proper. But this represents only a relatively small portion of the total Social Security System. The majority's recommendation, premised on the “regressive” nature of Social Security taxes, if carried out, could destroy the fundamental concept of Social Security as “social insurance”, transform the system into a welfare program, and kill off the typically American incentive to provide, during one's productive years, for retirement years.

The majority's recommendation for action on “the” Family Assistance Plan, with 100% federal financing, ignores the fact that “the”

Plan has been involved in numerous revisions, amendments, and controversies. Deeply serious defects in one draft of "the" Plan were pointed out by Senator Williams of Delaware, Senator Curtis of Nebraska, and myself during the debate on the Ribicoff-Bennett Amendment to the Social Security bill. What is needed is "a" Family Assistance Plan which does not contain these defects. Moreover, a Family Assistance Plan is only a part of welfare reform, and welfare reform includes certain responsibilities of the States, including State supplements, which are not properly subject to 100% Federal financing.

The majority's recommendation that the requirement that the States adopt, by 1977, a comprehensive plan of Medicaid be retained in the law oversimplifies the problem. The real problem is that the law provides that once a State adopts a program, it cannot contract it no matter how great the unanticipated costs may be. The Finance Committee found that some States have been placed in serious financial jeopardy by this inflexible provision in the law and recommended it be appropriately changed. An effort to retain the present provision was decisively defeated on the Senate floor 18 to 44.

JACK MILLER.

APPENDICES

Appendix A

"S. 869—INTRODUCTION OF BILL TO ESTABLISH AN INSTITUTE ON RETIREMENT INCOME," FLOOR REMARKS OF SENATOR WILLIAMS, FEBRUARY 4, 1969

By Mr. WILLIAMS of New Jersey (for himself, Mr. KENNEDY, Mr. MONDALE, Mr. MUSKIE, Mr. PROUTY, Mr. RANDOLPH, Mr. YOUNG of Ohio, and Mr. YARBOROUGH) :

S. 869. A bill to provide for the establishment of an Institute on Retirement Income which shall conduct studies and make recommendations designed to enable retired individuals to enjoy an adequate retirement income; to the Committee on Government Operations.

Mr. WILLIAMS of New Jersey. Mr. President, income maintenance is the No. 1 problem facing older Americans. This is the conclusion to which I have been brought inescapably as a result of studies by the Senate Special Committee on Aging, on which I now serve as chairman.

I speak not only of those Americans who, after a lifetime of poverty, endure an even more impoverished old age. I also have in mind those who may have been accustomed to living in relatively comfortable circumstances but who, all too often as things now stand, find that their standard of living becomes marginal when they retire.

Because income maintenance dominates our concerns regarding America's elderly, and because the problems associated with income maintenance for the elderly are so complex, I introduced on October 1, 1968, a bill, S. 4115, to establish an Institute on Retirement Income—which would be charged with the task of planning and implementing programs to meet the needs of retirement. I am today reintroducing that bill, in order that it may be considered during the 91st Congress.

The Institute would be a think tank agency, designed to carry out intensive study and make specific recommendations. It would touch on all aspects of retirement income—private pensions, social security, and other systems of retirement assistance—and would plan action to improve these plans. Finally, the Institute would propose new ways to meet the demand for adequate retirement income, ways not necessarily limited to existing plans or programs. A model and a precedent for this Institute already exists—in the Institute on Urban Affairs, already at work.

These new approaches are needed because the traditional means of providing retirement income cannot keep pace with the problem. Increases in social security, while welcome, will require new funding

mechanisms possibly out of general revenue funds, if they are to have major effect. Pension plans cover some 27 million workers, but this is only about 45 percent of the work force; moreover, workers in the higher income brackets have far greater participation in pension plans than those in the lower brackets—those who need it more. Pensions, in fact, are based on income levels which were adequate during the working years, but which fail to provide for sufficient income during retirement. These statements are documented in the annual report for 1967 of the Special Committee on Aging. One of the major recommendations in that report called for the creation of this institute.

When I introduced this measure late in the 1968 session, I realized that action on it could not be expected during 1968. Nevertheless, I thought that the matter was important enough to bring it to the attention of Senators, and I stated my intention when I introduced it last year to press for prompt and thorough consideration during the 91st Congress.

Mr. President, millions of older Americans are waiting for a solution to their serious economic problems. The longer we make them wait, the wider will grow the gap between the income levels of workers and retirees. I urge the Senate to give this proposal its early and active attention.

Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD at this point.

The VICE PRESIDENT. The bill will be received and appropriately referred; and, without objection, the bill will be printed in the RECORD.

The bill (S. 869) to provide for the establishment of an Institute on Retirement Income which shall conduct studies and make recommendations designed to enable retired individuals to enjoy an adequate retirement income, introduced by Mr. WILLIAMS of New Jersey (for himself and other Senators), was received, read twice by its title, referred to the Committee on Government Operations, and ordered to be printed in the RECORD, as follows:

S. 869

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, this Act may be cited as the "Institute on Retirement Income Act".

SEC. 2. (a) In order to conduct studies, demonstrations, and research of the income needs of retired individuals with a view to devising and recommending methods by which such income needs may be met by such individuals, the Secretary of Health, Education, and Welfare (hereinafter referred to as the "Secretary") is authorized to enter into an agreement with any public or nonprofit private agency or organization (either existing or organized expressly to enter into the agreement authorized by this Act) for the payment by the United States of all or part of the costs of the establishment and operation, including equipment but not construction, of an Institute on Retirement Income.

(b) Before entering into the agreement provided for in subsection (a), the Secretary shall consult with the Secretaries of Defense and Labor, the Administrator of the Veterans' Administration, the Chair-

man of the Civil Service Commission, the Director of the Office of Economic Opportunity, and with such other officers of the executive branch of the Government as he may choose who have a responsibility for retirement incomes, with reference to the terms to be included in such agreement and the effectiveness of the plan to establish and operate an Institute on Retirement Income.

(c) Any agency or organization desiring to enter into such an agreement shall submit a proposal therefore at such time, in such manner, and containing such information as may be prescribed by the Secretary. In considering such proposals, the Secretary shall give preference to those proposals which give promise of ability to achieve the purposes of this Act with minimum expense and maximum effectiveness, including ability to attract and retain personnel who are well qualified to study problems and opportunities relating to retirement income and ability to find and recommend appropriate solutions to such problems independent of coercion from individuals outside the Institute.

(d) The agreement shall—

(1) provide that Federal funds paid to the agency or organization for the Institute will be used only for purposes for which paid and in accordance with the applicable provisions of this Act and the agreement made pursuant thereto;

(2) provide that the agency or organization making the agreement will make an annual report to the Secretary, which the Secretary in turn shall transmit to the Congress with such comments and recommendations as he may deem appropriate; and

(3) include such other conditions as the Secretary deems necessary to carry out the purposes of this Act.

SEC. 3. It shall be the duty and function of the Institute to study all aspects of the problems and opportunities relating to the attainment of adequate retirement income, including, but not limited to, the following:

(a) possible methods whereby increased retirement benefits may be paid on a fiscally sound basis by Federal retirement programs such as the social security retirement program, the railroad retirement program, the civil service retirement program, and the military retirement programs;

(b) means whereby the coverage of workers by private pension programs can be increased and means whereby such programs can be encouraged and assisted to provide more adequate retirement incomes for aged individuals;

(c) actions that might be taken by the Federal Government to assist State and local governments in paying increased retirements benefits to their employees, or in making such employees eligible for retirement and health insurance benefits under the Social Security Act;

(d) actions which might be taken by the Federal Government to encourage and assist young and middle-aged wage earners more adequately to meet their retirement needs through systematic savings;

(e) actions that the Federal Government might take to encourage and assist young and middle-aged persons to contribute to needy elderly relatives;

(f) actions that the Federal Government might take to increase opportunities for full-time or part-time employment for elderly indi-

viduals who desire to supplement inadequate retirement income by working;

(g) actions which the Federal Government might take to cause existing Federal programs combating poverty more adequately to meet the needs of aged persons for adequate retirement income; and

(h) actions the Federal Government might take to assist elderly individuals in establishing and operating small businesses to provide services in locations where such services otherwise would not be provided.

SEC. 4. There are hereby authorized to be appropriated for each fiscal year such amounts as may be necessary to carry out the provisions of this Act.

Appendix B

TABLE 1.—TREND IN MEDIAN MONEY INCOME OF FAMILIES AND UNRELATED INDIVIDUALS, 1960-69¹

Period	Families			Unrelated individuals		
	Heads 14 to 64, amount	Heads 65 plus		14 to 64, amount	65 plus	
		Amount	Percent of 14 to 64		Amount	Percent of 14 to 64
1960.....	\$5,905	\$2,897	49.1	\$2,571	\$1,053	41.0
1961.....	6,099	3,026	49.6	2,589	1,106	42.7
1962.....	6,336	3,204	50.6	2,644	1,248	47.2
1963.....	6,644	3,352	50.4	2,881	1,277	44.3
1964.....	6,981	3,376	48.4	3,094	1,297	41.9
1965.....	7,413	3,514	47.4	3,344	1,378	41.2
1966.....	7,922	3,645	46.0	3,443	1,443	41.9
1967.....	8,504	3,928	46.2	3,655	1,480	40.5
1968.....	9,198	4,592	49.9	4,073	1,734	42.6
1969.....	10,085	4,803	47.6	4,314	1,855	43.0

PERCENT CHANGE						
1960-69.....	+70.8	+65.8	-----	+67.8	+76.2	-----
1962-69.....	+59.2	+49.9	-----	+63.2	+48.6	-----
1960-61.....	+3.3	+4.4	-----	+0.7	+5.0	-----
1961-62.....	+3.9	+5.9	-----	+2.1	+12.8	-----
1962-63.....	+4.9	+4.6	-----	+9.0	+2.3	-----
1963-64.....	+5.1	+0.7	-----	+7.4	+1.5	-----
1964-65.....	+6.2	+4.1	-----	+8.1	+6.2	-----
1965-66.....	+6.9	+3.7	-----	+3.0	+4.7	-----
1966-67.....	+7.3	+7.8	-----	+6.2	+2.6	-----
1967-68.....	+8.2	+16.9	-----	+11.4	+17.2	-----
1968-69.....	+9.6	+4.6	-----	+5.9	+7.0	-----

¹ By age groups, 14 to 64 and 65 plus. Data are estimates derived from a survey of a national probability sample of households; they are subject to both sampling variability and errors in response and nonreporting.

Source of data: Bureau of the Census, Administration on Aging, Social and Rehabilitation Service, Department of Health, Education, and Welfare, August 1970.

TABLE 2.—DISTRIBUTION OF FAMILIES AND UNRELATED INDIVIDUALS BY MONEY INCOME IN 1969¹

PART A. TOTAL

Income	Families				Unrelated individuals			
	Distribution		Cumulative		Distribution		Cumulative	
	Heads 14 to 64	Heads 65 plus	Heads 14 to 64	Heads 65 plus	14 to 64	65 plus	14 to 64	65 plus
Number (total) (thousands).....	44, 157	7, 078	-----	-----	8, 830	5, 622	-----	-----
Median income (total).....	\$10, 085	\$4, 803	-----	-----	\$4, 314	\$1, 855	-----	-----
Percent (total).....	100. 0	100. 0	-----	-----	100. 0	100. 0	-----	-----
Under \$1,000.....	1. 4	2. 6	1. 4	2. 6	12. 7	15. 2	12. 7	15. 2
\$1,000 to \$1,499.....	0. 9	3. 6	2. 3	6. 2	6. 6	22. 5	19. 3	37. 7
\$1,500 to \$1,999.....	1. 1	6. 0	3. 4	12. 2	6. 4	17. 2	25. 7	54. 9
\$2,000 to \$2,499.....	1. 5	7. 9	4. 9	20. 1	5. 5	11. 7	31. 2	66. 6
\$2,500 to \$2,999.....	1. 4	7. 3	6. 3	27. 4	4. 8	7. 4	36. 0	74. 0
\$3,000 to \$3,499.....	1. 9	7. 0	8. 2	34. 4	5. 4	4. 6	41. 4	78. 6
\$3,500 to \$3,999.....	2. 0	7. 0	10. 2	41. 4	5. 5	4. 3	46. 9	82. 9
\$4,000 to \$4,999.....	4. 5	10. 7	14. 7	52. 1	9. 8	4. 6	56. 7	87. 5
\$5,000 to \$5,999.....	5. 5	8. 3	20. 2	60. 4	8. 9	3. 3	65. 6	90. 8
\$6,000 to \$6,999.....	6. 4	6. 6	26. 6	67. 0	8. 4	2. 3	74. 0	93. 1
\$7,000 to \$7,999.....	7. 5	6. 0	34. 1	73. 0	7. 1	1. 8	81. 1	94. 9
\$8,000 to \$8,999.....	7. 8	4. 7	41. 9	77. 7	4. 8	1. 2	85. 9	96. 1
\$9,000 to \$9,999.....	7. 5	4. 0	49. 4	81. 7	2. 9	0. 8	88. 8	96. 9
\$10,000 to \$11,999.....	14. 2	5. 7	63. 6	87. 4	4. 6	0. 8	93. 4	97. 7
\$12,000 to \$14,999.....	15. 1	4. 9	78. 7	92. 3	3. 6	0. 8	97. 0	98. 5
\$15,000 to \$24,999.....	17. 3	5. 6	96. 0	97. 9	2. 4	1. 0	99. 4	99. 5
\$25,000 to \$49,999.....	3. 5	1. 8	99. 5	99. 7	0. 6	0. 4	100. 0	99. 9
\$50,000 plus.....	0. 5	0. 3	100. 0	100. 0	(²)	0. 1	100. 0	100. 0
Head year-round, full-time worker:								
Percent of total ³	73. 5	14. 0	-----	-----	52. 8	7. 3	-----	-----
Median income.....	\$11, 208	\$8, 935	-----	-----	\$6, 356	\$4, 687	-----	-----

¹ By age groups, 14 to 64 and 65 plus. Data are estimates derived from the March 1970 survey of a national probability sample of households; they are subject to both sampling variability and errors in response and nonreporting.

² Less than 1/2 of 1 percent.

³ Excluding Armed Forces.

Source of data: Bureau of the Census, Administration on Aging, Social and Rehabilitation Service, Department of Health, Education, and Welfare, August 1970.

TABLE 2.—DISTRIBUTION OF FAMILIES AND UNRELATED INDIVIDUALS BY MONEY INCOME IN 1969¹—Con.

PART B. WHITE

Income	Families				Unrelated individuals			
	Distribution		Cumulative		Distribution		Cumulative	
	Heads 14 to 64	Heads 65 plus	Heads 14 to 64	Heads 65 plus	14 to 64	65 plus	14 to 64	65 plus
Number (total) (thousands) ..	39, 507	6, 515	-----	-----	7, 358	5, 115	-----	-----
Median income (total)	\$10, 449	\$4, 952	-----	-----	\$4, 637	\$1, 922	-----	-----
Percent (total)	100. 0	100. 0	-----	-----	100. 0	100. 0	-----	-----
Under \$1,000	1. 2	2. 3	1. 2	2. 3	11. 5	13. 6	11. 5	13. 6
\$1,000 to \$1,499	0. 7	3. 1	1. 9	5. 4	5. 6	21. 9	17. 1	35. 5
\$1,500 to \$1,999	0. 9	5. 5	2. 8	10. 9	6. 3	17. 2	23. 4	52. 7
\$2,000 to \$2,499	1. 3	7. 6	4. 1	18. 5	5. 1	12. 3	28. 5	65. 0
\$2,500 to \$2,999	1. 1	7. 2	5. 2	25. 7	4. 6	7. 4	33. 1	72. 4
\$3,000 to \$3,499	1. 5	7. 0	6. 7	32. 7	5. 2	4. 9	38. 3	77. 3
\$3,500 to \$3,999	1. 7	7. 1	8. 4	39. 8	5. 3	4. 5	43. 6	81. 8
\$4,000 to \$4,999	4. 0	10. 7	12. 4	50. 5	10. 0	4. 9	53. 6	86. 7
\$5,000 to \$5,999	5. 1	8. 5	17. 5	59. 0	8. 9	3. 5	62. 5	90. 2
\$6,000 to \$6,999	6. 1	6. 8	23. 6	65. 8	9. 0	2. 5	71. 5	92. 7
\$7,000 to \$7,999	7. 4	6. 0	31. 0	71. 8	7. 3	1. 8	78. 8	94. 5
\$8,000 to \$8,999	8. 0	4. 7	39. 0	76. 5	5. 3	1. 3	84. 1	95. 8
\$9,000 to \$9,999	7. 7	4. 1	46. 7	80. 6	3. 2	0. 9	87. 3	96. 7
\$10,000 to \$11,999	14. 8	5. 9	61. 5	86. 5	5. 2	0. 8	92. 5	97. 5
\$12,000 to \$14,999	15. 9	5. 3	77. 4	91. 8	4. 0	0. 9	96. 5	98. 4
\$15,000 to \$24,999	18. 3	5. 9	95. 7	97. 7	2. 7	1. 1	99. 2	99. 5
\$25,000 to \$49,999	3. 8	2. 0	99. 5	99. 7	0. 7	0. 4	99. 9	99. 9
\$50,000 plus	0. 5	0. 3	100. 0	100. 0	0. 1	0. 1	100. 0	100. 0
Head year-round, full-time worker:								
Percent of total ²	75. 2	14. 3	-----	-----	54. 1	7. 6	-----	-----
Median income	\$11, 447	\$9, 333	-----	-----	\$6, 787	\$4, 814	-----	-----

¹ By age groups, 14 to 64 and 65 plus. Data are estimates derived from the March 1970 survey of a national probability sample of households; they are subject to both sampling variability and errors in response and nonreporting.

² Excluding Armed Forces.

Source of data: Bureau of the Census, Administration on Aging, Social and Rehabilitation Service, Department of Health, Education, and Welfare, August 1970.

TABLE 2.—DISTRIBUTION OF FAMILIES AND UNRELATED INDIVIDUALS BY MONEY INCOME IN 1969¹—Continued

Income	Families				Unrelated individuals			
	Distribution		Cumulative		Distribution		Cumulative	
	Heads 14 to 64	Heads 65 plus	Heads 14 to 64	Heads 65 plus	14 to 64	65 plus	14 to 64	65 plus
					14 to 64	65 plus	14 to 64	65 plus
Number (total) (thousands).....	4,267	507	-----	-----	1,303	449	-----	-----
Median income (total).....	\$6,431	\$3,045	-----	-----	\$2,965	\$1,283	-----	-----
Percent (total).....	100.0	100.0	-----	-----	100.0	100.0	-----	-----
Under \$1,000.....	3.0	6.3	3.0	6.3	19.8	32.6	19.8	32.6
\$1,000 to \$1,499.....	3.4	10.1	6.4	16.4	11.2	30.8	31.0	63.4
\$1,500 to \$1,999.....	3.8	11.6	10.2	28.0	6.2	17.9	37.2	81.3
\$2,000 to \$2,499.....	3.7	12.8	13.9	40.8	7.8	5.5	45.0	86.8
\$2,500 to \$2,999.....	4.1	8.5	18.0	49.3	5.5	4.5	50.5	91.3
\$3,000 to \$3,499.....	5.5	8.3	23.5	57.6	6.5	1.5	57.0	92.8
\$3,500 to \$3,999.....	4.3	5.2	27.8	62.8	7.1	2.1	64.1	94.9
\$4,000 to \$4,999.....	9.7	8.9	37.5	71.7	8.8	1.5	72.9	96.4
\$5,000 to \$5,999.....	9.1	7.1	46.6	78.8	8.8	1.5	81.7	97.9
\$6,000 to \$6,999.....	9.0	4.7	55.6	83.5	6.1	-----	87.8	97.9
\$7,000 to \$7,999.....	7.9	4.6	63.5	88.1	6.4	1.3	94.2	99.2
\$8,000 to \$8,999.....	6.1	3.6	69.6	91.7	2.2	0.3	96.4	99.5
\$9,000 to \$9,999.....	6.6	2.2	76.2	93.9	0.8	-----	97.2	99.5
\$10,000 to \$11,999.....	8.4	2.6	84.6	96.5	1.5	0.5	98.7	100.0
\$12,000 to \$14,999.....	7.7	0.6	92.3	97.1	0.6	-----	99.3	100.0
\$15,000 to \$24,999.....	7.0	2.5	99.3	99.6	0.7	-----	100.0	100.0
\$25,000 to \$49,999.....	0.6	0.4	99.9	100.0	-----	-----	100.0	100.0
\$50,000-plus.....	0.1	-----	100.0	100.0	-----	-----	100.0	100.0
Head year-round, full-time worker:								
Percent of total ²	60.0	10.4	-----	-----	47.2	5.0	-----	-----
Median income.....	\$7,964	\$5,343	-----	-----	\$4,688	\$2,971	-----	-----

¹ By age groups, 14 to 64 and 65 plus. Data are estimates derived from the March 1970 survey of a national probability sample of households; they are subject to both sampling variability and errors in response and nonreporting.

² Excluding Armed Forces.

Source of data: Bureau of the Census, Administration on Aging, Social and Rehabilitation Service, Department of Health, Education, and Welfare, August 1970.

TABLE 3.—NUMBER OF PERSONS LIVING IN HOUSEHOLDS WITH TOTAL INCOME BELOW THE POVERTY LINE, BY AGE GROUP, 1959, 1968, AND 1969

[In millions]

Age	1959	1968	1969		
			Number	Percent change from—	
				1959	1968
Total.....	39.5	25.4	24.3	-38.5	-4.3
Under 65.....	33.5	20.8	19.5	-41.8	-6.1
65 plus.....	6.0	4.6	4.8	-19.7	+3.6
Percent of total.....	15.1	18.2	19.7	-----	-----

Source: Unpublished data, Census Bureau, Administration on Aging Social and Rehabilitation Service, Department of Health, Education, and Welfare, November 1970.

TABLE 4.—NUMBER AND PROPORTION OF OLDER FAMILIES AND UNRELATED INDIVIDUALS LIVING IN HOUSEHOLDS WITH INCOME BELOW THE POVERTY LINE, BY SEX AND COLOR, 1959 THROUGH 1969

PART A.—NUMBERS IN THOUSANDS

Family status, sex, color	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Families with 65 plus heads:											
Total.....	1,860	1,690	1,911	1,727	1,691	1,556	1,574	1,567	1,450	1,518	1,201
White.....	1,540	1,375	1,577	1,438	1,379	1,288	1,289	1,300	1,178	1,246	982
Other.....	320	315	334	289	312	268	285	267	272	272	219
Male head:											
Total.....	1,536	1,375	1,562	1,401	1,334	1,262	1,233	1,328	1,219	1,228	947
White.....	1,303	1,163	1,333	1,200	1,142	1,082	1,029	1,119	1,011	1,024	789
Other.....	233	212	229	201	192	180	204	209	208	204	158
Female head:											
Total.....	324	315	349	326	357	294	341	239	231	290	254
White.....	237	212	244	238	237	206	260	181	167	222	193
Other.....	87	103	105	88	120	88	81	58	64	68	61
Unrelated individuals 65 plus:											
Total.....	2,396	2,390	2,613	2,573	2,562	2,794	2,648	2,696	2,607	2,798	2,584
White.....	2,175	2,138	2,317	2,270	2,296	2,452	2,336	2,400	2,307	2,467	2,250
Other.....	221	252	296	303	266	342	312	296	300	331	334
Male:											
Total.....	627	595	622	625	523	637	581	566	563	585	575
White.....	536	508	521	511	447	513	479	469	459	470	471
Other.....	91	87	101	114	76	124	102	97	104	115	104
Female:											
Total.....	1,769	1,795	1,991	1,948	2,039	2,157	2,067	2,130	2,044	2,213	2,009
White.....	1,639	1,630	1,796	1,759	1,849	1,939	1,857	1,931	1,848	1,997	1,779
Other.....	130	165	195	189	190	218	210	199	196	216	230

TABLE 4.—NUMBER AND PROPORTION OF OLDER FAMILIES AND UNRELATED INDIVIDUALS LIVING IN HOUSEHOLDS WITH INCOME BELOW THE POVERTY LINE, BY SEX AND COLOR, 1959 THROUGH 1969—Continued

PART B.—PERCENT BELOW POVERTY LINE

Family status, sex, color	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Families with 65 plus heads:											
Total.....	30.0	27.2	28.5	25.5	25.0	23.1	22.8	22.6	20.9	21.5	17.0
White.....	26.8	23.9	25.5	23.1	22.2	20.8	20.3	20.4	18.4	19.2	15.1
Other.....	70.9	70.8	65.0	53.9	57.2	49.6	52.3	47.9	49.0	46.6	39.0
Male head:											
Total.....	29.7	26.5	27.4	24.6	23.5	22.4	21.4	22.9	20.9	20.6	15.9
White.....	26.9	23.9	25.0	22.6	21.6	20.7	19.2	20.8	18.7	18.6	14.3
Other.....	70.7	66.1	60.7	52.6	50.0	44.8	50.8	49.3	49.0	47.3	39.0
Female head:											
Total.....	31.5	30.8	35.2	30.6	33.0	27.0	30.3	21.3	20.5	25.8	22.3
White.....	26.2	23.6	28.6	26.0	25.7	21.7	26.4	18.4	16.7	22.9	19.6
Other.....							56.4	43.5	48.8	44.7	39.1
Unrelated individuals 65 plus:											
Total.....	66.0	65.5	66.2	61.5	59.9	60.6	56.6	55.3	53.8	55.2	48.8
White.....	65.0	63.4	64.3	59.7	58.8	58.6	54.7	53.5	51.7	53.5	46.7
Other.....	76.6	91.2	85.2	79.4	72.2	80.2	75.9	76.2	77.3	71.7	70.2
Male:											
Total.....	58.5	59.5	60.7	53.0	44.8	49.6	45.4	44.0	44.5	44.8	43.5
White.....	56.8	57.3	58.6	50.2	43.5	46.1	42.6	41.3	41.3	42.0	41.1
Other.....							63.5	63.8	68.0	62.2	59.7
Female:											
Total.....	69.1	67.8	68.1	64.8	65.6	64.8	60.8	59.3	57.0	58.8	50.6
White.....	68.3	65.6	66.2	63.2	64.2	63.1	59.0	57.5	55.2	57.3	48.5
Other.....			91.6	86.7	82.8	84.8	83.0	84.5	83.3	78.0	76.5

Source: Bureau of the Census, Administration on Aging, Social and Rehabilitation Service, Department of Health, Education, and Welfare, November 1970.

TABLE 5.—NUMBER AND PROPORTION OF PERSONS LIVING IN HOUSEHOLDS WITH TOTAL INCOME BELOW THE POVERTY LINE, BY AGE GROUP, SEX, COLOR, AND RELATIONSHIP TO HEAD OF FAMILY, 1969

Age, sex, and relationship to head	Number below poverty line (thousands)					Percent below poverty line				
	Total	In families			Unrelated individuals	Total	In families			Unrelated individuals
		Total	Head under 65	Head 65 plus			Total	Head under 65	Head 65 plus	
All persons.....	24,656	19,429	16,345	3,084	5,226	12.3	10.5	9.7	18.0	35.2
Under 65.....	19,869	17,302	16,153	1,149	2,566	11.0	10.0	9.7	19.2	27.9
65 plus.....	4,787	2,127	192	1,935	2,660	25.3	16.0	8.9	17.4	47.3
Head.....	1,239	1,239		1,239		17.5	17.5		17.5	
Spouse.....	646	646	43	603		17.2		14.2	17.4	
Other male.....	650	83	56	27	567	31.0	12.3	11.2	15.8	39.8
Other female.....	2,253	160	93	67	2,093	37.8	9.1	6.8	16.5	49.9
In household with male head.....	14,103	12,437	10,077	2,360	1,576	8.1	7.4	6.6	16.7	28.0
Under 65.....	11,798	10,699	9,949	750	1,009	7.4	6.9	6.6	16.9	24.0
65 plus.....	2,305	1,738	128	1,610	567	17.9	15.2	7.4	16.6	39.8
Head.....	976	976		976		16.4	16.4		16.4	
Spouse.....	646	646	43	603		17.2		14.2	17.4	
Other male.....	618	50	41	9	567	32.3	10.2	10.0	11.7	39.8
Other female.....	66	66	44	22		5.4	5.4	4.3	11.4	
In household with female head.....	10,642	6,992	6,267	725	3,650	38.7	38.1	40.8	24.3	39.7
Under 65.....	8,160	6,603	6,204	399	1,557	38.0	40.0	41.6	25.5	31.2
65 plus.....	2,482	389	63	326	2,093	41.1	21.1	14.8	22.9	49.9
Head.....	263	263		263		23.6	23.6		23.6	
Other male.....	33	33	15	18		17.9		16.7	19.1	
Other female.....	2,187	94	49	45	2,093	46.1	17.2	14.6	21.2	49.9
Negroes.....	7,298	6,407	5,734	673	891	32.5	31.1	30.2	42.2	48.5
Under 65.....	6,609	6,054	5,671	383	555	31.4	30.8	30.2	42.8	40.0
65 plus.....	689	353	63	290	336	50.2	38.2	28.0	41.5	74.8
Head.....	211	211		211		41.6	41.6		41.6	
Spouse.....	76	76	12	64		44.7			42.7	
Other male.....	136	29	20	9	107	57.9	35.4			69.9
Other female.....	265	36	30	6	229	57.4	21.8			77.4

Source: Unpublished data, Census Bureau, Administration on Aging, Social and Rehabilitation Service, Department of Health, Education, and Welfare, November 1970

TABLE 6.—NUMBER AND PROPORTION OF PERSONS AGED 14 AND OVER LIVING IN HOUSEHOLDS WITH TOTAL INCOME BELOW THE POVERTY LINE, BY AGE GROUP, YEARS OF SCHOOLING, AND WORK EXPERIENCE, 1969

Years of school completed and work experience	Number below poverty line (in thousands)			Percent below poverty line				
	Total 14 plus	14 to 64	65 plus	65 plus				
				Total 14 plus	14 to 64	Total	Male	Female
Total.....	16,288	11,501	4,787	11.2	9.1	25.3	20.2	29.2
Years of schooling completed:								
None.....	621	243	378	42.5	38.9	45.1	48.1	42.5
1 to 5.....	2,237	1,156	1,081	34.9	30.9	40.5	36.7	44.2
6 to 8.....	5,436	3,487	1,949	18.7	16.1	26.3	18.3	32.6
9 to 11.....	3,648	3,107	541	11.6	10.7	20.8	13.3	26.0
12.....	2,806	2,296	510	6.0	5.2	16.8	12.3	19.2
13 plus.....	1,540	1,212	328	5.2	4.4	13.8	10.1	16.9
Work experience:								
Did not work.....	9,748	5,566	4,182	19.7	15.8	29.3	25.4	31.5
Ill or disabled.....	2,345	1,108	1,237	40.5	38.9	42.0	39.3	43.7
Keeping house.....	3,893	2,371	1,522	15.4	12.0	28.0		28.0
In school.....	1,596	1,595	1	15.2	15.2			
Unable to find work.....	177	165	12	36.1	36.5			
Other.....	1,737	328	1,409	23.6	21.8	24.1	21.4	29.5
In Armed Forces.....	71	71		6.1	6.1			
Worked.....	6,469	5,863	606	6.8	6.5	13.1	11.5	16.0
Type of worker:								
Wage and salary.....	5,071	4,697	374	6.0	5.7	11.1	9.0	14.4
Professional and managerial.....	395	366	29	2.2	2.2	4.5	5.0	3.6
Clerical and sales.....	652	632	20	3.0	3.0	2.7	1.4	3.9
Craftsmen.....	301	285	16	2.9	2.8	4.6	3.9	
Operatives.....	936	911	25	5.8	5.8	6.1	5.5	7.1
Nonfarm laborers.....	569	511	58	11.6	11.0	26.0	25.6	
Farmers.....	1	1						
Farm laborers.....	582	530	52	31.0	30.6	35.6	33.3	
Private household workers.....	678	566	112	23.7	21.9	40.1		40.5
Other service workers.....	956	893	63	9.8	9.7	11.5	9.9	14.0
Self-employed, farm.....	421	331	90	20.3	20.7	18.8	18.8	
Self-employed, other.....	575	464	111	10.4	9.6	16.1	12.6	24.7
Unpaid family workers.....	401	370	31	19.8	19.3	28.2		

Extent of employment:								
Full time.....	3,860	3,650	210	5.2	5.1	8.4	7.0	11.3
50-plus weeks.....	1,671	1,554	117	3.2	3.0	7.3	6.9	8.3
40 to 49 weeks.....	380	366	14	5.6	5.5	5.9	3.7	10.7
27 to 39 weeks.....	375	365	10	8.3	8.4	4.8	3.9	6.4
26 weeks or less.....	1,434	1,366	68	13.9	13.9	14.8	10.3	21.3
Part time.....	2,608	2,213	395	12.8	12.1	18.5	17.2	20.6
50-plus weeks.....	759	610	149	11.3	10.4	16.6	15.0	18.9
40 to 49 weeks.....	179	154	25	9.4	9.2	10.6	5.4	19.1
27 to 39 weeks.....	242	208	34	10.0	9.5	14.6	12.5	16.2
26 weeks or less.....	1,427	1,239	188	15.4	14.6	24.5	24.2	25.3

Source: Unpublished data, Census Bureau, Administration on Aging, Social and Rehabilitation Service, Department of Health, Education, and Welfare, November 1970.

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